Genesis Limited Partnership #4

Annual Financial Statements

For the years ended December 31, 2011 and 2010

(unaudited)

## NOTICE TO READER

These financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies in the notes to the financial statements. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

These financial statements have not been audited by an independent firm of chartered accountants. Readers are cautioned that these statements may not be appropriate for their purposes.

Genesis Limited Partnership #4
Balance Sheets
(Unaudited)

| | Dec. 31, 2011 | Dec. 31, 2010 [1] | Jan. 1, 2010 [1] |
|---|---|---|---|
| **Assets** | | | |
| Land held for future development (note 4) | 5,135,201 | 5,172,843 | 5,172,037 |
| Amounts due from related parties | 67,944 | 12,584 | 21,138 |
| | 5,203,145 | 5,185,427 | 5,193,175 |
| **Liabilities** | | | |
| Customer deposits | 976 | 976 | - |
| | 976 | 976 | - |
| **Equity** | | | |
| General partner | 100 | 100 | 100 |
| Limited partners | 5,202,069 | 5,184,351 | 5,193,075 |
| | 5,202,169 | 5,184,451 | 5,193,175 |
| | | | |
| | 5,203,145 | 5,185,427 | 5,193,175 |

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

## Genesis Limited Partnership #4
## Statements of Comprehensive Income
For the years ended December 31, 2011 and 2010
(Unaudited)

| | 2011 | 2010 [1] |
|---|---|---|
| Revenues | | |
| Sale of land held for future development | 52,107 | - |
| Other revenue | 10,573 | 9,597 |
| | 62,680 | 9,597 |
| Cost of sales | 38,454 | - |
| Gross margin | 24,226 | 9,597 |
| General and administrative expenses | 6,508 | 18,321 |
| Earnings (loss) being comprehensive income (loss) for the year | 17,718 | (8,724) |

## Genesis Limited Partnership #4
## Statements of Partners' Equity
For the years ended December 31, 2011 and 2010
(Unaudited)

| | Net Partners' Contributions | Retained Earnings | Partners' Equity |
|---|---|---|---|
| At January 1, 2010 | 5,250,617 | (57,442) | 5,193,175 |
| Loss being comprehensive loss for the year | - | (8,724) | (8,724) |
| At December 31, 2010 | 5,250,617 | (66,166) | 5,184,451 |
| Earnings being comprehensive income for the year | - | 17,718 | 17,718 |
| At December 31, 2011 | 5,250,617 | (48,448) | 5,202,169 |

See accompanying notes to the annual financial statements

[1] Refer to Note 3 for the effects of the adoption of IFRS

Genesis Limited Partnership #4
Notes to the Annual Financial Statements
For the years ended December 31, 2011 and 2010
(Unaudited)

## 1. Organization and Operation of the Partnership

Genesis Limited Partnership #4 (the "Partnership") is a limited partnership formed under the laws of the Province of Alberta on February 11, 2005 pursuant to the Partnership Act (Alberta). It commenced operations on that date through the raising of funds from the sale of limited partnership units ("Units") through an offering memorandum dated March 29, 2005. As at December 31, 2011, the Partnership had 1,199 Units outstanding (December 31, 2010 - 1,199).

The Partnership was established to acquire a 32.5% undivided interest in land located in the Municipal District of Rockyview, Alberta (the "Property") and generate capital appreciation by obtaining various levels of municipal approvals for an area structure plan or community plan, residential rezoning, subdividing, development and/or reselling for a profit.

The affairs of the Partnership are managed by Genesis Land Development Corp. ("Genesis") through its wholly owned subsidiary, Genesis Northeast Calgary Ltd. (the "General Partner"). The Partnership's head office is located at 200, 3115 - 12th Street N.E., Calgary, AB T2E 7J2.

The development of the Property is managed by Genesis (the "Manager") pursuant to a joint venture agreement dated February 12, 2005 between the Partnership and Genesis (the "JV Agreement"). Under the JV Agreement, Genesis will earn a management fee equal to 10% of the development servicing costs. The initial term of the JV Agreement is until December 31, 2015. The JV Agreement can be terminated by Genesis at any time and can be extended by either joint venture partner to December 31, 2020.

## 2. Significant Accounting Policies

The significant accounting policies of the Partnership are set out below. These policies have been consistently applied to each of the years presented, unless otherwise indicated.

### (a) Statement of compliance

The annual financial statements represent the first financial statements of the Partnership prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Partnership 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 Partnership's balance sheet as at January 1, 2010 have been restated from accounting principles generally accepted in Canada ("CGAAP") to comply with IFRS.

## 2. Significant Accounting Policies (continued)

### (b) Basis of presentation

The annual financial statements have been prepared in accordance with IFRS. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as at the reporting date. Actual results could differ from these estimates. Such estimates include the amounts relating to the determination of liabilities and accruals and the potential impairment of accounts receivable and land held for future development. By their nature these amounts are subject to measurement uncertainty and changes in such estimates may affect the financial statements in future years.

### (c) Land held for future development

Land held for future development is recorded at the lower of cost and estimated net realizable value ("NRV"). Cost includes land acquisition costs, other direct costs of development and construction, borrowing costs, property taxes and legal costs. Real estate held for development and sale is reviewed annually for impairment or whenever events or changes in circumstances indicate the carrying value may exceed NRV. An impairment loss is recognized in the statement of comprehensive income when the carrying value exceeds its NRV. NRV is the estimated selling price in the ordinary course of the business based on market prices at the balance sheet date less costs to complete and estimated costs of sale.

### (d) Revenue recognition

Land and lot sales to third parties are recognized when risks and rewards of ownership have been transferred, the Partnership has substantially performed the agreed-to services pertaining to the property, the Partnership has received a minimum 15% non-refundable deposit and the collection of the remaining unpaid balance is reasonably assured. Deposits received upon signing of contracts on which revenue recognition criteria have not been met are recorded as customer deposits.

2. Significant Accounting Policies (continued)

(e) Financial assets

All financial assets are initially recognized on the balance sheet at fair value and designated at inception into one of the following classifications; at fair value through profit or loss ("FVTPL") and loans and receivables. Loans and receivables are recognized on the date of origination. All financial assets are recognized initially on the trade date at which the Partnership becomes a party to the contractual provisions of the instrument. Transaction costs related to financial assets classified as FVTPL are expensed, and for all other financial assets included in the initial carrying amount.

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets at FVTPL are carried on the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income. The Partnership does not currently have any financial assets classified as FVTPL.

Financial instruments classified as loans and receivables and FVTPL are subsequently measured at amortized cost using the effective interest rate method, less impairment. The amortization and losses arising from impairment are recognized in the statement of comprehensive income. Financial assets classified as loans and receivables are amounts due from related parties.

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

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset. If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

2. Significant Accounting Policies (continued)

(f) Financial liabilities

All financial liabilities are initially recognized on the balance sheet at fair value less directly attributable transaction costs and designated at inception as other financial liabilities.

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

The financial liabilities classified as other financial liabilities are customer deposits. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Partnership has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(g) Income taxes

The Partnership is not subject to income taxes. The income or loss for income tax purposes is allocated to the Partners based upon their proportionate share of the Partnership units. These financial statements include only the assets, liabilities and operations of the Partnership and do not include other assets or liabilities, including income taxes, of the Limited Partners.

(h) Significant judgments, accounting estimates and assumptions

(i) Net realizable value

Net realizable value for land held for future development is estimated with reference to market prices and conditions existing at the balance sheet date and is determined by the Partnership having taken suitable external advice and in the light of recent market transactions of similar lands in the same geographic area.

## 2. Significant Accounting Policies (continued)

(i) Change in accounting policy

The Partnership amended its accounting policy choice for presenting the statement of cash flows. IAS 7 "Statement of Cash Flows" provides an option to use either the direct or indirect method to present cash flows from operating activities. The Partnership has elected to change the presentation to the direct method. Prior to the change, cash flows from operating activities were presented using the indirect method. The change has been applied to the annual financial statements for the year ended December 31, 2011.

As the Partnership does not have its own bank account or hold cash and cash equivalents, a Statement of Cash Flows has not been included in the annual financial statements for the year ended December 31, 2011.

(j) Future changes in accounting policies

(i) IAS 1: Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 requiring items within other comprehensive income that may be reclassified to the profit or loss section of the income statement to be grouped together. The amendments are to be applied retrospectively and will be effective for annual periods commencing on or after July 1, 2012, with earlier application permitted. This amendment will have no impact on the Partnership after initial application.

(ii) IFRS 7: Financial Instruments: Disclosures – Transfer of financial assets (Amendment)

In October 2009, IASB made amendments to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"). The amendment is effective for annual periods beginning on or after July 1, 2011. This amendment will result in an increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment will have no impact on the Partnership after initial application.

2. Significant Accounting Policies (continued)

(j) Future changes in accounting policies (continued)

(iii) IFRS 9: Financial Instruments - Classification and Measurement

On November 12, 2009, the IASB issued IFRS 9, “Financial Instruments” (“IFRS 9”), which will replace IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. It applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Partnership is currently evaluating the impact of IFRS 9 on its financial statements.

(iv) IFRS 11: Joint Arrangements

IFRS 11, "Joint Arrangements", issued on May 12, 2011, will replace IAS 31, “Interest in Joint Ventures”. The standard is effective for annual periods beginning on or after January 1, 2013. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The Partnership is currently evaluating the impact of IFRS 11 on its financial statements.

(v) IFRS 13: Fair Value Measurement

IFRS 13, "Fair Value Measurement", issued by IASB on May 12, 2011, is effective for annual periods beginning on or after January 1, 2013. The new standard provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements. The Partnership is currently evaluating the impact of IFRS 13 on its financial statements.

## 3. First Time Adoption of IFRS

The Partnership adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010 (the "Transition Date"). An opening balance sheet has been prepared effective the Transition Date. The Partnership followed CGAAP prior to the adoption of IFRS.

(a) Exemptions elected

IFRS 1 allows certain optional exemptions from full retrospective application of IFRS. The Partnership applied the following exemption in the preparation of these annual financial statements:

(i) Capitalization of borrowing costs

This exemption provides the Partnership with the option of applying IAS 23 Borrowing Costs (“IAS 23”) prospectively from the Transition Date. The Partnership 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 Partnership has not used hindsight to create or revise estimates.

The following is a reconciliation of the Partnership’s total equity as reported under CGAAP to IFRS at the Transition Date:

| | Net Partners' Contributions | Retained Earnings | Partners' Equity |
|---|---|---|---|
| At December 31, 2009 under CGAAP | 5,250,617 | (57,442) | 5,193,175 |
| Adjustments | - | - | - |
| At January 1, 2010 under IFRS | 5,250,617 | (57,442) | 5,193,175 |

## 3. First Time Adoption of IFRS (continued)

The following is a reconciliation of the Partnership’s total equity as reported under CGAAP to IFRS at December 31, 2010:

| | Net Partners' Contributions | Retained Earnings | Partners' Equity |
|---|---|---|---|
| At December 31, 2010 under CGAAP | 5,250,617 | (66,166) | 5,184,451 |
| Adjustments | - | - | - |
| At December 31, 2010 under IFRS | 5,250,617 | (66,166) | 5,184,451 |

The following is a reconciliation of the Partnership’s loss being comprehensive loss as reported under CGAAP to IFRS for the year ended December 31, 2010:

| | Note | 2010 |
|---|---|---|
| Loss under CGAAP | | (8,724) |
| Adjustments | | - |
| Loss being comprehensive loss under IFRS | | (8,724) |

The first time adoption of IFRS has not impacted the actual cash flows of the Partnership.

## 4. Land Held for Future Development

| | Gross | Provision for Write-down | Net |
|---|---|---|---|
| As at December 31, 2011 | 5,135,201 | - | 5,135,201 |
| As at December 31, 2010 | 5,172,843 | - | 5,172,843 |
| As at January 1, 2010 | 5,172,037 | - | 5,172,037 |

In determining if there is an impairment of real estate assets, the carrying values are compared to the estimated net realizable value. Net realizable value is determined using the expected selling price of comparative properties sold in the normal course of business less closing costs. As at December 31, 2011 and December 31, 2010, the net realizable value of the Property exceeded its net carrying value.

## 5. Financial Instruments

### (a) Risks associated with financial instruments

The General Partner has overall responsibility for the establishment and oversight of the Partnership's risk management framework. The General Partner has implemented and monitors compliance with risk management policies. The Partnership has exposure to the following risks from its use of financial instruments:

#### (i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Partnership's exposure to credit risk associated with the non-performance of future purchasers of land held for future development can be directly impacted by a decline in economic conditions, which would impair these purchasers ability to satisfy their obligations to the Partnership. To reduce this economic risk, the Partnership retains title to the properties in question until all terms of the contract have been satisfied. At December 31, 2011, the Partnership is not exposed to any significant amounts of credit risk.

The carrying value of amounts due from related parties represents the maximum credit exposure.

#### (ii) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, and interest rates, will affect the Partnership's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

The Partnership is exposed to market risk in terms of its reliance on the strength of the local economies in which it operates. The Property held by the Partnership is on the outskirts of the Calgary Metropolitan Area and therefore is subject to the economic conditions of this region.

5. Financial Instruments (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they are due. The Partnership's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Partnership.

(iv) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Partnership could become exposed to interest rate cash flows risk to the extent that agreements receivable are at a floating rate of interest.

(b) Fair value of financial instruments

The fair value of deposits approximates their carrying values due to the relatively short periods to maturity.

The fair value of the Partnership's related party balances as at December 31, 2011, December 31, 2010 and January 1, 2010 were considered indeterminable due to the inability to obtain market prices.

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

The three fair value hierarchy levels are as follows:

1) Quoted prices (unadjusted) in active markets for identical assets or liabilities;
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
3) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 6. Economic Dependence

The Partnership is wholly dependent on the Manager to provide resources to complete the projects.

## 7. Comparative Figures

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

## 8. Approval of Annual Financial Statements

The Partnership's financial statements for the year ended December 31, 2011 were authorized for issue in accordance with a resolution of the directors of the General Partner on March 16, 2012.