



Interim Consolidated Financial Statements

Genesis Worldwide Inc.

March 31, 2009

[unaudited]

These financial statements have not been reviewed by the Company's auditors.

Genesis Worldwide Inc.

INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited)

	As at March 31 2009 \$	As at December 31 2008 \$
ASSETS		
Current		
Cash and cash equivalents	422,793	167,064
Accounts receivable <i>[notes 3 and 9]</i>	7,278,192	7,780,771
Inventories and deposits on equipment <i>[note 5]</i>	976,212	1,626,187
Prepaid expenses	295,510	310,964
Total current assets	8,972,707	9,884,986
Restricted cash <i>[note 7]</i>	500,000	500,000
Property, plant and equipment	4,607,604	4,848,059
Intangible assets	2,058,315	2,105,862
	16,138,626	17,338,907
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	6,948,900	6,916,928
Term loan - current portion <i>[note 7]</i>	582,500	570,943
Deferred revenue - current portion	1,102,496	2,779,266
Minimum royalty payment obligations	382,126	376,792
Total current liabilities	9,016,022	10,643,929
Long-term		
Long-term payables <i>[note 7]</i>	76,937	—
Convertible debenture <i>[note 8]</i>	1,367,245	—
Term loan <i>[note 7]</i>	834,971	983,253
Minimum royalty payment obligations	913,730	1,002,923
Total long-term liabilities	3,192,883	1,986,176
<i>Commitments [notes 7 and 8]</i>		
Shareholders' equity		
Capital stock <i>[note 4]</i>	56,733,075	56,733,075
Convertible debenture <i>[note 8]</i>	129,919	—
Contributed surplus <i>[note 4]</i>	1,282,781	1,246,358
Deficit	(54,216,054)	(53,270,631)
Total shareholders' equity	3,929,721	4,708,802
	16,138,626	17,338,907

See accompanying notes

On behalf of the Board:

(Signed) Richard Black
Director

(Signed) Brad Baker
Director

Genesis Worldwide Inc.

**INTERIM CONSOLIDATED STATEMENT OF LOSS,
COMPREHENSIVE LOSS AND DEFICIT**

(unaudited)

	Three months ended	
	March 31 2009	March 31 2008
	\$	\$
Revenues <i>[note 9]</i>		
Licensing	2,225,533	3,217,484
Structural products	2,653,104	4,464,642
Total revenues	4,878,637	7,682,126
Direct cost of revenues		
Licensing	1,475,668	1,772,402
Structural products	2,098,291	3,627,444
Total direct cost of revenues	3,573,959	5,399,846
Expenses		
Research and development	199,544	433,221
SR&ED tax credit <i>[note 6]</i>	(50,000)	(57,217)
Selling and marketing	301,554	590,736
Engineering and project management	263,427	464,737
General and administrative	693,206	1,374,723
Occupancy	350,694	379,943
	1,758,425	3,186,143
Loss before other expenses	(453,747)	(903,863)
Amortization of property, plant and equipment	235,649	200,890
Amortization of intangible asset	67,413	67,656
Foreign exchange loss	27,591	45,135
Loss on fixed asset disposal	4,543	—
Interest expense (income), net	32,731	(50,434)
Minimum royalty accretion	66,141	73,449
Term loan and debenture interest expense <i>[notes 7 and 8]</i>	57,110	—
	491,178	336,696
Net loss and comprehensive loss for the period	(944,925)	(1,240,559)
Deficit, beginning of period	(53,271,129)	(46,041,668)
Deficit, end of period	(54,216,054)	(47,282,227)
Loss per share		
Basic and diluted	\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding	30,982,858	30,982,858

See accompanying notes

Genesis Worldwide Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended	
	March 31 2009 \$	March 31 2008 \$
OPERATING ACTIVITIES		
Net loss for the year	(944,925)	(1,240,559)
Adjustments for non-cash items		
Amortization of property, plant and equipment and intangible asset	303,062	268,546
Loss on asset disposal	4,543	—
Stock-based compensation expense	36,423	45,000
Unrealized foreign exchange loss	742	—
Minimum royalty accretion	66,141	73,449
	<u>(534,014)</u>	<u>(853,564)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable, net	502,579	943,211
Inventories and deposits on equipment	649,975	(149,345)
Prepaid expenses	15,455	107,730
Accounts payable and accrued liabilities	31,970	(1,144,550)
Deferred revenue	(1,676,770)	(2,397,263)
Cash used in operating activities	<u>(1,010,805)</u>	<u>(3,493,781)</u>
FINANCING ACTIVITIES		
Repayment on term loan <i>[note 7]</i>	(136,726)	—
Changes in long-term liability <i>[note 7]</i>	76,937	—
Convertible debenture issued, net of issue costs paid <i>[note 8]</i>	1,497,165	—
Cash provided by financing activities	<u>1,437,376</u>	<u>—</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(34,491)	(485,279)
Disposals to property, plant and equipment	33,515	—
Deferred patent costs	(19,866)	—
Minimum royalties paid	(150,000)	(80,000)
Cash used in investing activities	<u>(170,842)</u>	<u>(565,279)</u>
Net increase (decrease) in cash and cash equivalents during the year	255,729	(4,059,060)
Cash and cash equivalents, beginning of period	167,064	5,987,862
Cash and cash equivalents, end of period	<u>422,793</u>	<u>1,928,802</u>
Supplemental cash flow information		
Interest paid	28,853	—

See accompanying notes

Genesis Worldwide Inc.

Notes To Interim Consolidated Financial Statements

[unaudited]

March 31, 2009

1. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements reflect the same accounting policies and methods of application as the Company's consolidated financial statements for the year ended December 31, 2008, except for changes in accounting policies described in note 2. The interim consolidated financial statements for the Company have been prepared in accordance with Canadian generally accepted accounting principles ["GAAP"] for interim financial statements. As a result, certain information and disclosures normally required to be included in the notes to the annual financial statements have been condensed or omitted. These interim consolidated financial statements are unaudited but reflect all adjustments required for the fair presentation in accordance with GAAP and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2008.

The Company is operating in a very difficult environment due to the global economic slowdown impacting both the construction and financial industries. The Company has continued to incur losses but has also continued to reduce its operating expenses and the corresponding loss in the current quarter. The Company will require continued expenditures for personnel, occupancy and raw material costs for which current projections show there will be sufficient cash flows to cover these costs. These projections are dependent on assumptions related to receipt of customer payments and the exact timing and amounts of these payments cannot be certain. If the cash projections are not achieved within the expected timelines or timeframes, the Company may need to seek additional equity or debt financing. There is also no assurance that the Company will be successful in its financing efforts or whether sufficient funding will be available. As a result, there is no assurance that the Company will be able to meet its obligations as they become due and if the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the balance sheet classification used.

2. ADOPTION OF RECENT CANADIAN ACCOUNTING STANDARDS IN 2009

Goodwill, Intangible Assets and Financial Statement Concepts

The Canadian Institute of Chartered Accountants ("CICA") has issued a new accounting standard, Section 3064 "Goodwill and Intangible Assets", which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. Section 1000 "Financial Statement Concepts" was also amended to provide consistency with this new standard. The new and amended standards were effective for the Company beginning January 1, 2009. The adoption of the new standards did not have a material effect on the Company's consolidated financial statements.

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3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	March 31 2009 \$	December 31 2008 \$
Trade [net of allowance]	3,956,778	4,713,902
Holdback receivables	1,536,257	1,480,742
Unbilled revenue	1,665,139	1,505,803
SR&ED investment tax credits	76,447	26,447
Goods and services tax	43,571	53,877
	<u>7,278,192</u>	<u>7,780,771</u>
<i>Aging</i>		
Current	1,105,587	695,029
31-60 days	332,186	1,478,752
61-90 days	579,992	715,688
Over 90 days	2,195,982	2,081,402
Allowance for doubtful accounts	(256,969)	(256,969)
	<u>3,956,778</u>	<u>4,713,902</u>

4. CAPITAL STOCK

[a] Options

The Stock Option Plan is intended to attract, retain and motivate officers and salaried employees. Options are granted based on the position of the incumbent with an exercise price equal to the fair market value of the underlying common shares at the date of grant of the options. The terms or value of the award are determined by the Compensation Committee of the Company's Board of Directors at the time of grant, and options must be exercised during a period established by the Company, which currently is 10 years from the date of grant. The options' vesting schedules are based on time periods ranging from three to four years from the date of grant.

The total number of options issuable to employees under the Stock Option Plan is 10% of the common shares issued and outstanding. There were 2,085,924 options outstanding under the Company's Stock Option Plan as at March 31, 2009 [2008 – 2,219,392 options outstanding].

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The following table presents information concerning stock options granted to employees and directors and others by the Company:

	March 31, 2009		December 31, 2008	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
EMPLOYEES AND DIRECTORS				
Outstanding, beginning of year	2,219,392	0.76	2,645,174	0.76
Granted during the period	—	—	320,000	1.04
Forfeited	(133,468)	0.88	(745,782)	0.86
Outstanding, end of period	2,085,924	0.76	2,219,392	0.76
Exercisable, end of period	1,257,924	0.47	1,270,892	0.49
OTHERS				
Outstanding, beginning of period				
Granted to debenture holders	835,712	2.15	835,712	2.15
Outstanding, end of period	835,712	2.15	835,712	2.15
Exercisable, end of period	835,712	2.15	835,712	2.15
Total outstanding, end of period	2,921,636	1.15	3,055,104	1.14
Total exercisable, end of period	2,093,636	1.14	2,106,604	1.15

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The following table summarizes information about the Company's outstanding stock options issued to employees and directors as at March 31, 2009:

Range of exercise prices \$	Options outstanding			Options exercisable	
	Number outstanding #	Weighted average remaining contractual life [years]	Weighted average exercise price \$	Number exercisable #	Weighted average exercise price \$
0.20 to 0.30	560,174	4.47	0.21	560,174	0.21
0.40	187,500	7.22	0.40	—	—
0.44 to 0.45	735,000	6.43	0.44	616,250	0.44
0.85 to 1.30	310,000	9.36	1.04	5,000	1.27
1.70 to 2.15	90,000	8.39	2.01	22,500	2.01
2.75	203,250	8.07	2.75	54,000	2.75
	2,085,924	6.65	0.76	1,257,924	0.47

The amount of stock option compensation expense related to granted options recognized in the consolidated statements of loss, comprehensive loss and deficit and credited to contributed surplus for the three-month period ended March 31, 2009 was \$36,423 [2008 - \$45,000]. The fair value for options granted before initial filing of the prospectus was determined using the minimum value method. The fair value for options granted after the initial filing of the prospectus was determined using the Black-Scholes option pricing model under the following assumptions:

Expected life of employees options	6 years
Expected life of debenture options	4.5 years
Expected dividends	Nil
Expected volatility	62%
Risk-free interest rate	3.30% - 4.62%

The following assumptions were used for options granted prior to the initial filing of the prospectus:

	2009
	\$
Risk-free interest rate	3.30%
Assumed expected life of the options	10 years
Dividend yield	nil

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[b] Contributed surplus

The change in contributed surplus during the years is as follows:

	March 31, 2009 \$	December 31, 2008 \$
Balance, beginning of period	1,246,358	1,078,474
Stock-based compensation expense related to employee stock options	36,423	167,884
Balance, end of period	<u>1,282,781</u>	<u>1,246,358</u>

5. INVENTORIES AND DEPOSITS ON EQUIPMENT

Inventories and deposits on equipment consist of the following:

	March 31, 2009 \$	December 31, 2008 \$
Raw materials	527,956	694,176
Inventory held for resale	448,256	443,652
Deposits on equipment	—	488,359
	<u>976,212</u>	<u>1,626,187</u>

Deposits on equipment comprise of deposits made on equipment which has been ordered for sale to licensees. Inventory held for resale are equipment items that have been purchased by the Company for future resale to licensees.

6. RESEARCH AND DEVELOPMENT RECOVERY

During the three-month period ended March 31, 2009, the Company recorded a recovery of \$50,000 [2008 - \$57,217] in tax incentives related to eligible expenditures for scientific research and experimental development. The amount has been recorded as a reduction to expenses in the interim consolidated statement of loss, comprehensive loss and deficit.

7. TERM LOAN AND LONG TERM PAYABLES

In June 2008, a subsidiary of the Company, KML Engineered Homes Ltd., completed a three-year, secured non-revolving term loan with a lender for \$1,800,000 at a fixed interest rate of 8.17% repayable

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in equal monthly installments of principal plus interest. The lender required the Company to provide a \$500,000 irrevocable letter of credit which is secured by a restricted cash deposit of \$500,000 at a Canadian chartered bank. The loan was formalized and fully drawn down in July 2008. The Company has provided a general security agreement providing a fixed and floating charge on all assets of the subsidiary. The loan is guaranteed by the Company and all subsidiaries. The Company must meet a current ratio test of 1.1 to 1 as defined in the agreement. As at March 31, 2009, the Company was in compliance of this covenant.

The long term payable amounts relate to accrued interest of \$15,137 related to the convertible debenture, which is payable on the maturity date, and an account payable for \$61,800, for which the Company has negotiated extended payment terms and is due April 1, 2010.

8. CONVERTIBLE DEBENTURE

On February 23, 2009, the Company issued a secured convertible debenture (the "Debenture") for \$1,534,742, which bears an interest rate of 10% per annum. The Debenture matures on August 23, 2010 and is convertible at the option of the holder into common shares of the Company at a conversion price of \$0.242 per share, and the interest is payable in cash on the conversion date. The Debenture is secured by a general security interest in all of the assets of the Company which ranks subsequent to the security interest previously granted by the Company to its secured lender. The Debenture is required to be classified in its liability and equity components as determined by their fair value. The Company determined that the equity component was determinable by using the Black-Scholes valuation model to determine the fair value of the conversion option. The Company used a risk free interest rate of 0.88% and the other variables as noted in note 4. After the fair value of the conversion option was determined, the remaining amount was allocated to the debt component. The bifurcation resulted in \$133,180 of the Debenture being allocated to equity and the remaining \$1,401,562 being classified as a long term liability. The costs associated with the transaction were allocated to components in portion to total proceeds. The costs allocated to the equity component were \$3,261 and these costs have been netted against share capital. The costs allocated to the debt component were \$34,317 and these costs have been netted against the liability and will be amortized over the term of the Debenture. The effective interest rate based on the liability element is 17.8%.

9. RELATED PARTY TRANSACTIONS

Royalty revenues were earned in the first quarter of 2009 from a shareholder of the Company in connection with a license arrangement, which was signed prior to the party becoming a shareholder. The amount of revenue earned from this party for the three months ended March 31, 2009 was \$74,719 [2008 – equipment and royalties – \$1,044,469].

Another shareholder has a business relationship as a contract customer of the Company with regular credit terms. Revenues earned at the exchange amount agreed upon between the parties for the three months ended March 31, 2009 were \$60,872 [2008 – \$123,238] and the amount included in accounts

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receivable as at March 31, 2009 is \$73,853 [2008 – \$351,359]. The Company has also entered into a commercial property lease with this shareholder on December 21, 2006 for a period of 10 years commencing January 1, 2007 for an annual minimum base rent of \$727,040. The Company is also liable for additional rent for operating costs, utilities, and taxes.

10. SEGMENT INFORMATION

The Company's business activities are conducted through two operating segments, in addition to centralized corporate services. All inter-segment transactions are measured at the exchange amounts.

Licensing

The licensing segment develops and licenses light steel structural building technology solutions for residential and commercial markets. The Company develops software applications, creates light steel products and provides equipment specifications to market, sell, engineer, fabricate and install light steel structures through its own locations as well as through licensees. Operating activities consist of ongoing sales of licenses and the development and application of technologies.

Structural Products

The structural products segment consists of a customized panel and truss manufacturing facility and a light steel joist facility, both located in Vaughan, Ontario. Both facilities produce engineered components used in the construction of light steel residential and commercial buildings.

Three months ended March 31, 2009	Licensing \$	Structural products \$	Total operations \$	Corporate \$	Consolidated \$
Revenues	2,225,533	2,653,104	4,878,637	—	4,878,637
Direct cost of revenues	1,475,668	2,098,291	3,573,959	—	3,573,959
Contribution margin	749,865	554,813	1,304,678	—	1,304,678
Expenses before the undernoted	681,939	626,763	1,308,702	449,723	1,758,425
Income (loss) before the following	67,926	(71,950)	(4,024)	(449,723)	(453,747)
Amortization	(88,659)	(211,335)	(299,994)	(3,068)	(303,062)
Foreign exchange loss	(24,716)	(2,312)	(27,028)	(563)	(27,591)
Loss on fixed asset disposal	(4,543)	—	(4,543)	—	(4,543)
Interest and minimum royalty accretion	(86,601)	(62,945)	(149,546)	(6,436)	(155,982)
Net loss for the period	(136,593)	(348,542)	(485,135)	(459,790)	(944,925)

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Three months ended March 31, 2008	Licensing \$	Structural products \$	Total operations \$	Corporate \$	Consolidated \$
Revenues	3,217,484	4,464,642	7,682,126	—	7,682,126
Direct cost of revenues	1,772,402	3,627,444	5,399,846	—	5,399,846
Contribution margin	1,445,082	837,198	2,282,280	—	2,282,280
Expenses before the undernoted	1,356,619	1,076,146	2,432,765	753,378	3,186,143
Income (loss) before the following	88,463	(238,948)	(150,485)	(753,378)	(903,863)
Amortization	(86,891)	(177,251)	(264,142)	(4,404)	(268,546)
Foreign exchange gain (loss)	(43,406)	(3,132)	(46,538)	1,403	(45,135)
Interest and minimum royalty accretion	(53,067)	—	(53,067)	30,052	(23,015)
Net loss for the period	(94,901)	(419,331)	(514,232)	(726,327)	(1,240,559)

As at March 31, 2009	Licensing \$	Structural products \$	Total operations \$	Corporate \$	Consolidated \$
Total assets	4,289,166	11,584,350	15,873,516	265,110	16,138,626
Capital expenditures	—	34,491	34,491	—	34,491
Property, plant and equipment	198,461	4,371,703	4,570,164	37,440	4,607,604
Intangible assets	2,058,315	—	2,058,315	—	2,058,315

As at March 31, 2008	Licensing \$	Structural products \$	Total operations \$	Corporate \$	Consolidated \$
Total assets	5,695,964	13,426,782	19,122,746	2,336,416	21,459,162
Capital expenditures	20,521	1,026,272	1,046,793	2,735	1,049,528
Property, plant and equipment	267,876	5,059,555	5,327,431	51,774	5,379,205
Intangible assets	1,982,892	—	1,982,892	—	1,982,892

Geographical distribution of revenues is as follows:

Three months ended March 31	Canada \$	U.S. \$	International \$	Consolidated \$
2009	2,734,482	74,719	2,069,436	4,878,637
2008	4,550,790	1,044,468	2,086,868	7,682,126