



Consolidated Financial Statements

Genesis Worldwide Inc.

December 31, 2010

Independent Auditor's Report

To the Shareholders of Genesis Worldwide, Inc.

We have audited the accompanying consolidated balance sheet of Genesis Worldwide Inc. as at December 31, 2010 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Genesis Worldwide Inc. as at December 31, 2010 and the results of their operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

/s/Chang Park

CHANG G. PARK

Certified Public Accountants

May 30, 2011
San Diego, CA 92111

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

Genesis Worldwide Inc.

CONSOLIDATED BALANCE SHEETS

See Note 1 - Basis of Presentation and Going Concern Uncertainty

As at December 31,

	2010	2009
	\$	\$
ASSETS [notes 1 to 8]		
Current		
Cash [note 4]	7,051	72,247
Cash held in trust [note 4]	—	100,000
Restricted cash [note 10]	—	500,000
Accounts receivable, net [note 5]	357,732	2,818,204
Inventories, net [note 6]	556	346,219
Prepaid expenses	57,794	255,719
Total current assets	423,133	4,092,389
Notes receivable [note 7]	1,049,704	432,908
Property, plant and equipment [note 8]	15,888	2,232,604
Deposits	88,483	—
Intangible assets [note 9]	—	1,015,101
	1,577,208	7,773,002
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	2,344,866	6,505,840
Short term loan payable	154,628	991,587
Deferred revenue	349,215	847,964
Minimum royalty payment obligations	—	682,548
Total current liabilities	2,848,709	9,027,939
Long-term		
Long term payables [note 10]	144,092	—
Minimum royalty payment obligations	—	578,058
Total long-term liabilities	144,092	578,058
Commitments and contingencies [note 14]		
Shareholders' equity		
Capital stock [note 11]	61,830,420	61,114,911
Contributed surplus [note 11c]	1,905,150	1,842,492
Deficit	(65,151,163)	(64,790,398)
Total shareholders' equity	(1,415,593)	(1,832,995)
	1,577,208	7,773,002

See accompanying notes

On behalf of the Board:

(Signed) Alan MacQuoid
Director

(Signed) Brad Baker
Director

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

Genesis Worldwide Inc.

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

See Note 1 - Basis of Presentation and Going Concern Uncertainty

Year ended December 31,

	2010	2009
	\$	\$ ⁽¹⁾
Revenues <i>[note 3[k] and 17]</i>		
Licensing	175,555	3,894,019
Structural products	—	—
Total revenues	<u>175,555</u>	<u>3,894,019</u>
Direct cost of revenues		
Licensing	—	1,929,477
Structural products	—	—
Total direct cost of revenues	<u>—</u>	<u>1,929,477</u>
	<u>175,555</u>	<u>1,964,542</u>
Expenses (other income)		
Research and development <i>[note 3[m]]</i>	161,039	534,051
SR&ED tax credit <i>[note 3[m]]</i>	—	(53,266)
Selling and marketing	405,681	1,023,514
Engineering and project management	29,940	268,478
General and administrative	1,639,438	3,570,096
Occupancy <i>[note 13]</i>	92,385	327,429
	<u>2,328,483</u>	<u>5,670,303</u>
Loss before other expenses	<u>(2,152,929)</u>	<u>(3,705,761)</u>
Miscellaneous revenue and expense	(99,778)	—
Amortization of property, plant and equipment <i>[note 8]</i>	6,821	85,723
Bad debt expense	159,410	—
Impairment loss on property, plant and equipment <i>[note 8]</i>	—	136,237
Loss on impairment of long-term investment	273,866	—
Amortization of intangible asset <i>[note 9]</i>	—	298,484
Impairment of intangible assets <i>[note 9]</i>	—	887,626
Foreign exchange gain	(29,138)	(30,482)
Loss on disposal of property, plant and equipment	(214)	42,282
Bank interest expense and penalty charges	43,237	(56,994)
Loss on inventory evaluation	149,561	—
Minimum royalty accretion	—	214,701
Debenture accretion	—	82,902
Term loan and debenture interest expense	—	91,597
	<u>503,765</u>	<u>1,752,077</u>
Net loss and comprehensive loss from continuing operations	<u>(2,656,693)</u>	<u>(5,457,838)</u>
Loss from discontinued operations	<u>(3,367,533)</u>	<u>(6,061,929)</u>
Gain on sale of discontinued operations	<u>5,663,461</u>	<u>—</u>
Net income (loss) from discontinued operations	<u>2,295,928</u>	<u>(6,061,929)</u>
Net (loss)	<u>(360,765)</u>	<u>(11,519,767)</u>
Deficit, beginning of year	<u>(64,790,398)</u>	<u>(53,270,631)</u>
Deficit, end of year	<u>(65,151,163)</u>	<u>(64,790,398)</u>
Loss per share		
Basic and diluted - net earnings - continuing operations	<u>\$ (0.05)</u>	<u>\$ (0.14)</u>
Basic and diluted - net earnings - discontinued operations	<u>\$ 0.04</u>	<u>\$ (0.15)</u>
Weighted average number of shares outstanding <i>[note 3[q]]</i>	<u>57,527,106</u>	<u>39,510,309</u>

(1) Fiscal 2009 numbers have been restated to reflect the divestiture. See Note 12 for additional divestiture details

See accompanying notes

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

Genesis Worldwide Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

See Note 1 - Basis of Presentation and Going Concern Uncertainty

Year ended December 31,

	2010	2009
	\$	\$ ⁽¹⁾
OPERATING ACTIVITIES		
Net loss for the year	(2,656,694)	(5,457,838)
Adjustments for non-cash items		
Amortization of property, plant and equipment and intangible assets	4,462	370,767
Provision for doubtful accounts	(694,539)	—
Impairment loss on property, plant and equipment	(977)	1,023,863
Allocation of divestiture assets	(101,327)	—
Loss on divestiture of long term investment	2,022,562	—
Loss on impairment of long term asset	273,866	—
Loss on disposal of property, plant and equipment	—	42,282
Stock-based compensation expense	6,422	169,384
Unrealized foreign exchange loss	(29,138)	131
Debtenture accretion	—	82,902
Minimum royalty accretion	—	214,701
	<u>(1,175,362)</u>	<u>(3,553,807)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	5,131,629	1,147,817
Unbilled revenue	142,288	411,588
Inventories and deposits on equipment	507,356	532,313
Deposits	96,066	10,077
Prepaid expenses	192,876	119,353
Accounts payable and accrued liabilities	(1,579,883)	(372,308)
Deferred revenue	(147,408)	(1,452,156)
Cash in trust	100,000	(100,000)
Cash provided by (used by) operating activities	<u>3,267,562</u>	<u>(3,257,125)</u>
FINANCING ACTIVITIES		
Debtenture proceeds	—	2,952,919
Restricted cash	500,000	—
Repayment on term loan	(961,342)	(562,610)
Common stock issued	575,197	1,772,765
Convertible debtenture	325,297	—
Cash provided by financing activities	<u>439,152</u>	<u>4,163,073</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	—	(12,750)
Disposals of property, plant and equipment	1,515,813	19,051
Additions to intangible assets <i>[note 3(f)]</i>	—	(57,900)
Minimum royalties paid	—	(333,810)
Cash provided by (used by) investing activities	<u>1,515,813</u>	<u>(385,408)</u>
Net increase (decrease) in cash during the year from continuing operations	5,222,526	520,540
Net increase (decrease) in cash during the year from discontinued operations	(5,287,722)	(615,357)
Cash, beginning of year	<u>72,247</u>	<u>167,064</u>
Cash, end of year	<u>7,051</u>	<u>72,247</u>
Supplemental cash flow information		
Interest paid	—	231,689
Non-cash financing/investing activities included		
(a) common shares issued on conversion of \$2,586,326 debtenture.		
(b) reclassification from inventory to property, plant and equipment of \$132,187		

(1) Fiscal 2009 numbers have been restated to reflect the divestiture. See note 12 for additional divestiture details. See accompanying notes

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

1. BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

Genesis Worldwide Inc. (“Genesis” or the “Company”), together with its subsidiaries, GenesisTP Inc., KML Building Solutions, Inc., Genesis Financial Incorporated, GenesisTP USA Inc., and GenesisTP Ireland Limited, is a “green” building technology and solutions provider. Genesis develops and licenses light steel structural building software and provides building solutions aimed at the global residential, commercial and institutional construction markets. Genesis offers a turn-key solution enabling its customers and partners to custom design, manufacture and install complete light steel building structures (the “Genesis Solution”). The Genesis Solution encompasses engineered processes and materials that are environmentally sustainable or “green”. Through Genesis proprietary technologies, licensees are able to efficiently custom manufacture light steel building structures on a mass scale. Genesis offers state-of-the-art industrial equipment to its licensees to ensure that the licensee is able to provide their customers with the best in sustainable construction products. Following the Genesis process, licensees are offered a wide range of services, including ongoing training and support, to ensure that the manufacturing and construction process is efficiently managed from the day of sale through to the completion of the project. The Company’s operating activities consist of the ongoing development, licensing and application of its technology and participating in structural products operations through joint ventures (see Note 13). The Company refers to the licensing of its technologies as its licensing division or licensing business. It is anticipated that, in the future, the licensing division would derive a majority of its revenue through royalties, licensing fees and industrial equipment sales. The Company will continue to develop additional licensees throughout its target markets. In addition, the Company is in discussions with various general contractors, architects and engineering professionals who are interested in licensing the FrameBuilder suite of software.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

For the year ended December 31, 2010, the Company reported a net loss of \$2,656,693 from continuing operations and a gain of \$2,295,938 from discontinued operations. The Company had negative cash flow from operating activities of \$3,267,562 and an accumulated deficit of \$65,151,153. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

Management is in the process of identifying and evaluating a range of strategic alternatives aimed at increasing cash flow and maximizing shareholder value. To date, it has reached no decisions with respect to any particular alternative and there can be no assurance that the process will result in a transaction. Management has taken a number of actions aimed at significantly reducing expenses and preserving cash, including the divestiture of subsidiaries (see Note 12). The Company is dependent on raising funds through the issuance of shares (see Note 11) and/or attracting joint venture partners (see Note 13) in order to undertake its business objectives and to ultimately realize profits through future license and structural sales. The ability of the Company to continue as a going concern is dependent upon its ability to raise sufficient funds to meet its obligations as they become due. Management believes that it will be able to obtain the necessary financing to meet the Company's requirements on an ongoing basis; however, there can be no assurance that the necessary financing will be obtained.

2. CHANGES IN ACCOUNTING POLICIES

[a] Future Changes in Accounting Standards

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2011. The Company is currently developing its implementation timeline for the conversion process and will continue to invest in training and additional resources. The Company will then assess and report on the financial reporting impact of the transition to IFRS, which cannot be reasonably estimated at this time.

Sections 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling Interests

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued these new sections to replace Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements". Section 1582 will apply to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed. Any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be allocated between the controlling and non-controlling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. The Company does not believe that these new Sections will have an impact on its consolidated financial statements.

EIC-175 – Multiple Deliverable Revenue Arrangements

In December 2009, the Emerging Issues Committee ("EIC") approved an abstract EIC-175, "Multiple Deliverable Revenue Arrangements", which provides additional guidance on how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. EIC-175 applies to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. The Company has not yet determined what the impact of adopting this standard will have on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: GenesisTP Inc., GenesisTP USA Inc., and GenesisTP Ireland Limited. All significant intercompany transactions and balances have been eliminated on consolidation.

[b] Discontinued operations

The financial results for the Company's structural segment, which was divested on October 22, 2010 (see Note 12), have been reclassified as discontinued operations. Operating results of a company's component disposed of by sale are reported as discontinued operations if the operations and cash flows of that component have been eliminated from the company's current operations pursuant to the disposal and if the company does not have significant continuing involvement in the operations of the component after the disposal transaction. The Company allocates interest on its parent company debt to discontinued operations on a relative net asset basis.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

[c] Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Some of the Company's more significant estimates include those related to the allowance for doubtful accounts, inventory, property, plant and equipment amortization, and assessment of going concern assumption, accounts payable and accrued liabilities, revenue and profit recognition related to percentage-of-completion determination and cost estimates in cost of revenues, revenue recognition for license arrangements with multiple elements and stock-based compensation expense. Actual results could differ from those estimates and the differences may be material.

[d] Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand.

[e] Accounts receivable and allowance for doubtful accounts

The Company evaluates the collectability of its accounts receivable based on a combination of factors. In cases where management is aware of circumstances that may impair a specific customer's ability to meet its financial obligation to the Company, a specific allowance against the amounts due to the Company is recorded which reduces the net recognized receivable to the amount that management reasonably believes will be collected.

[f] Inventories

Inventories of raw materials are valued at the lower of cost and replacement cost. Equipment that has been received from suppliers but not yet delivered to customers under licensing arrangements have been included within inventories and recorded at the lower of cost and estimated net realizable value.

[g] Transaction costs

Transaction costs related to the debt financing are netted against the carrying value of the liability and then amortized over the estimated term of the debt using the effective interest method.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

[h] Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization commences when the assets are put into use and is based on their estimated useful lives as follows:

<u>Asset</u>	<u>Basis</u>	<u>Method</u>
Furniture and fixtures	Declining Balance	20%
Computer software	Declining Balance	30%
Computer equipment	Declining Balance	20%

In the prior periods, the Company stated that it depreciated computer equipment over five years using the straight line method. The Company utilizes the 20% declining balance method for computer equipment.

[i] Intangible assets

The intangible assets consist of a technology license, computer software and deferred patent costs. The technology license is being amortized on a straight-line basis over its estimated useful life which is 10 years. Computer software is being amortized on a 30% declining balance basis. The patent costs have been incurred in filing patents for which the patents are pending. If patents are abandoned the associated costs will be expensed at this time and if patents are granted amortization will commence. When conditions are evident which no longer support the criteria for deferral, the patent costs are expensed or written down.

[j] Impairment of long-lived assets

The Company reviews its property, plant and equipment and finite life intangible assets [technology license, computer software and patents] for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. In the event the undiscounted cash flows are less than the carrying amount of the asset, an impairment loss equal to the excess of the carrying amount over the fair value, determined on a discounted cash flow basis, is charged to the consolidated statements of loss, comprehensive loss and deficit. As a result of the significant measurement uncertainty in determining cash flows, management's estimate of fair value is based on the market (sales comparison) approach and assumes an in use premise which does not represent a likely liquidation value.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

[k] Revenue recognition

Revenue is recognized when earned, specifically when persuasive evidence of an arrangement exists, services and products have been delivered and the sales price or fees are fixed and determinable and collection of proceeds is considered reasonably assured. Amounts are billable as defined by individual contracts. Fees and advances received from customers that do not qualify for revenue recognition are recorded as deferred revenue.

In addition to this general policy, the following paragraphs describe the specific revenue recognition policies for each major category of revenue.

License arrangements

The Company's license arrangements represent multiple-element arrangements which may include any combination of software, technology [generally comprising designs, specifications and documentation], and equipment and services [comprising engineering and marketing support]. These multiple-element arrangements are assessed to determine whether they can be separated into more than one unit of accounting or element for the purpose of revenue recognition.

These units of accounting or elements may be separated or combined based on the specific terms of the contract and recognized when:

- [i] there is objective and reliable evidence of the fair value of the undelivered items;
- [ii] the delivered items have value to the customer on a stand-alone basis;
- [iii] delivery or performance of the undelivered items is considered probable and substantially in the control of the Company; and
- [iv] fees related to delivered elements are not subject to refund, forfeiture or other concession if undelivered elements are not delivered

If these criteria are not met, the arrangement is accounted for as one unit of accounting, which would result in revenue being deferred until the earlier of when such criteria is met or when the last undelivered element is delivered.

The Company's revenue under its license arrangements is recognized as follows:

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

[a] Software and technology

Revenue is recognized under a particular arrangement when the software and technology are delivered to the customer, which is when all significant contractual obligations for these elements have been fulfilled.

[b] Equipment

Revenue from the sale of equipment is recognized when title passes to the customer and the item has value to the customer on a stand-alone basis. The fair value of the equipment is established based on the prices when the equipment is sold separately.

[c] Royalty income

Income from royalties is recognized in the period earned.

[d] Services

Revenue from services is recognized as the services are provided to the customer. The fair value of the services is based on rates/pricing used when the services are sold separately.

The residual method is used to allocate revenue to the delivered component of the arrangement based on the fair value of undelivered elements.

[l] Financial instruments

All financial instruments are measured at fair value on initial recognition. After initial recognition, financial instruments are measured at their fair value, except for loans and receivables and other financial liabilities, which are measured at amortized costs. The Company has designated cash and cash equivalents as held-for-trading. Accounts receivable and note receivables are classified as receivables and notes are carried at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities at amortized cost.

If a financial asset is classified as available-for-sale, the cumulative unrealized gain or loss is recognized in accumulated other comprehensive income (loss) and recognized in earnings on sale or other than temporary impairment.

[m] Research and development expenses and investment tax credits

Research and development expenses include all costs incurred to establish technological feasibility and are charged to operations in the period in which they are incurred. The Company does not capitalize any development costs as they do not meet the criteria for capitalization. The Company

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

records the benefit of investment tax credits from the filing of Scientific Research & Experimental Development ["SR&ED"] claims, when recovery is reasonably assured, as a reduction of the cost of the assets or expenses to which they relate. Until the Company's initial public offering on July 3, 2007, the Company was classified as a Canadian Controlled Private Corporation ["CCPC"]. By virtue of a CCPC, the Company claimed and received a partial cash refund relating to qualified research and development expenditures from the Canadian federal and provincial governments. As a consequence of ceasing to be a CCPC, the federal portion of investment tax credits earned by the Company is no longer be refundable but is available to the Company at a reduced rate to reduce future cash taxes otherwise payable for a carry-forward period of 20 years from the year they are earned. The Company recorded investment tax credits [net of costs] in the amount of \$68,266 for 2009 [2008 – \$100,906].

[n] Foreign currency translation

Translation of transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates and non-monetary assets and liabilities are translated at exchange rates in effect on the date of the transaction. Revenues and expenses are translated into Canadian dollars at monthly average exchange rates. Resulting exchange gains and losses are included in the consolidated statements of loss, comprehensive loss and deficit.

Translation of consolidated financial statements

The Company's foreign subsidiaries are considered to be integrated operations for accounting purposes. The Company uses the temporal method to translate the foreign currency accounts for its integrated operations. Under the temporal method, monetary items denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates of exchange in effect at the time of the transactions, except to the extent they relate to items translated at historical rates, in which case, historical rates are applied. Foreign exchange gains and losses from the translation of the financial statements of integrated foreign operations are included in the consolidated statements of loss, comprehensive loss and deficit as exchange gains and losses.

[o] Stock-based compensation

The Company has a Stock Option Plan which is described in Note 11[b]. The Company records compensation expense for stock options granted to employees and directors. For stock options

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

granted prior to the initial filing of the prospectus, compensation expense was measured at the fair value at the grant date using the minimum value method, and for options granted after the initial filing of the prospectus, the Black-Scholes option pricing model was used. The value of the options is charged to operations over the vesting period, with a corresponding credit to contributed surplus. Any consideration paid by employees on exercise of stock options is credited to capital stock together with any previously recognized compensation expense in contributed surplus.

[p] Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

In assessing the valuation of future tax assets, management considers whether a valuation allowance is required for any of the Company's future tax assets, based on whether it is more likely than not that the future tax assets will be realized. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment.

[q] Loss per share

Loss per share is computed by dividing net loss for the year by the weighted average number of common shares outstanding for the year. Diluted loss per common share reflects the dilution that would occur if outstanding stock options and warrants were exercised or converted into common shares using the treasury stock method. When their inclusion would have an anti-dilutive effect on loss per common share, stock options and warrants are excluded from the computation. For 2010 and 2009, all stock options are anti-dilutive; therefore, diluted loss per common share is equal to basic loss per common share.

4. CASH

	2010	2009
	\$	\$
Cash	7,051	72,247
Cash held in trust	—	100,000
	<u>7,051</u>	<u>172,247</u>

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

The Company's cash-in-trust funds were disbursed to cash subsequent to fiscal 2009 year end. For discussion related to restricted cash see Note 10.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2010	2009
	\$	\$
Trade	859,878	3,310,439
Holdback receivables	—	1,191,390
Unbilled revenue	—	189,550
Allowance for doubtful accounts	(582,146)	(2,036,374)
	277,732	2,655,005
Scientific research & experimental development tax credits	80,000	121,447
Goods and services tax	—	41,752
	357,732	2,818,204
 <i>Aging</i>		
Current	—	244,820
31-60 days	—	219,155
61-90 days	—	465,513
Over 90 days	859,878	2,380,951
	859,878	3,310,439

The carrying value of the Company's trade accounts receivable is as noted above. The Company has provided an allowance for doubtful accounts. As of December 31, 2010, the Company held \$80,000 in miscellaneous receivables.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

6. INVENTORIES

Inventories and deposits on equipment consist of the following:

	2010	2009
	\$	\$
Raw materials	—	210,895
Inventory held for resale	556	135,324
	556	346,219

Inventory held for resale are equipment items that have been purchased by the Company for future resale. During the year ended December 31, 2010, the Company recorded fair value impairment of \$149,561 on inventory held for resale.

7. NOTES RECEIVABLE

Notes receivable consist of the following:

	2010	2009
	\$	\$
Notes receivable	1,403,438	—
Less loss reserve	353,734	—
	1,049,704	0

During 2010, the Company received a note receivable of \$750,000 and an indemnification against liabilities owed by the Company of \$653,438 as part of the divestiture agreement (see Note 12 for additional divestiture information). The Company established a reserve based on estimated collectability.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Leasehold improvements	—	—	—	232,776	65,809	166,967
Machinery and equipment	—	—	—	6,072,022	4,092,522	1,979,500
Motor vehicles	—	—	—	80,163	80,163	0
Furniture and fixtures	7,765	3,747	4,019	181,030	117,421	63,609
Computer equipment	3,544	2,087	1,457	477,352	454,824	22,528
Computer software	14,874	4,462	10,412	—	—	—
	26,183	10,296	15,888	7,043,343	4,810,739	2,232,604

During 2010, the Company disposed of certain assets related to the completion of its divesture agreement (see Note 12). During 2009, the Company recorded an impairment charge to property, plant and equipment of \$1,770,000 located at the Vaughan manufacturing facility.

9. INTANGIBLE ASSETS

Intangible assets consist of the following:

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
License	1,239,754	1,239,754	—	2,179,678	1,185,262	994,416
Intangible software	—	—	—	75,725	55,040	20,685
Patents	7,711	7,711	—	—	—	—
	1,247,465	1,247,465	—	2,255,403	1,240,302	1,015,101

During 2010, the Company disposed of certain intangible assets related to the completion of its divesture agreement (see Note 12).

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

10. TERM LOANS AND LONG TERM PAYABLES

[a] Term loans

In June 2008, KML Engineered Homes Ltd. ("KML"), a former subsidiary of the Company (see Note 12), completed a three-year \$1,800,000 secured non-revolving term loan with a large non-bank Canadian lender with interest payable at a fixed rate of 8.17%. This term loan was repayable in equal monthly installments of principal plus interest scheduled to mature in 2011. The lender required KML to provide a \$500,000 irrevocable letter of credit which was issued by a Canadian chartered bank and was secured by a restricted cash deposit of \$500,000 at that bank. The term loan was formalized and fully drawn down in July 2008. KML provided a general security agreement providing the lender with a security interest in all of the assets of the subsidiary. The term loan is guaranteed by the Company and its other subsidiaries, each of which provided a general security agreement providing the lender with a security interest in all of its assets.

On May 28, 2010, Codding Enterprises L.P. ("Codding"), an existing shareholder and insider of the Company, completed the purchase of the secured non-revolving term loan. The amount of the term loan has been adjusted to include the costs incurred by Codding, including accrued interest and other late charges incurred up to and including the date that the term loan was acquired. Codding has agreed to modify the term loan in several ways advantageous to the Company, including a reduction in the monthly loan payments, and removal of certain restrictive covenants. The modifications will include the following: (i) \$84,339 will be repaid in 18 equal installments over 18 months, with interest accruing and paid monthly at 12% per annum on the unpaid balance; and (ii) the balance of the term loan will be modified to reflect monthly interest-only payments at 12% per annum and the term of the loan will be extended to five years. As part of the transaction, a modification fee of \$159,690 (equivalent to US\$150,000), payable to Codding, accrued and recorded as term loan and debenture interest expense during the quarter ended June 30, 2010, was withdrawn from the restricted cash balance during the quarter ending September 30, 2010. Also during the quarter ending September 30, 2010, the restricted cash balance had been reduced to \$nil as the funds had been used to reimburse Codding in the amount of \$66,444 against advances received by the Company in previous periods, as well as an investment of \$273,866 in Genesis Steel Frame Solutions L.P. ("GSFS LP").

On October 22, 2010, as part of the divestiture agreement, the Company was relieved of the obligation to pay a loan for each one (1) share of Series A Preferred issued by Guy Street Corporation to the Company (rounded upward to the nearest \$1,000 as of the date of the issuance of the Series A Preferred) as payment by Guy Street Corporation to the Company on behalf of the divested entities, to assume the sole responsibility to repay the loan (see Note 12). Upon Guy Street Corporation exercising its rights to issue preferred stock, the loan documents shall be promptly modified insofar as to release any collateral pledged by any of the divested entities as security for the loan, provided however, such collateral shall remain pledged as security for any

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

secured loans guaranteed or secured under the loan documents. As of December 31, 2010, Guy Street Corporation has not issued any preferred stock. The Company will monitor the obligation on a quarterly basis to assess the status of Guy Street Corporation's payments on the loan.

[b] Long term payables

As part of its restructuring efforts, the Company converted certain amounts owed to vendors to notes payable based upon agreed terms or contracts. As of December 31, 2010, the Company had \$144,092 in long term payables.

11. CAPITAL STOCK

[a] Private placement and warrants

On March 19, 2010, the Company completed a non-brokered private placement of 5,639,241 common shares of the Company at prices ranging from \$0.09418 to \$0.1230 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate amount of \$593,390. Muzzo Brothers Group Inc. ("Muzzo Brothers") subscribed for 2,777,437 common shares, pursuant to the private placement. Muzzo Brothers is an affiliate of Zuzum Acquisition Inc., an existing shareholder and an insider of the Company. Following the completion of the private placement, Zuzum Acquisition Inc., and its associates and affiliates together, were the registered and beneficial holders of 8,315,177 common shares of the Company, representing approximately 14.7% of the issued and outstanding common shares of the Company at that time. Due to the participation by Muzzo Brothers in the private placement, the private placement is a "related party transaction" for the purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is relying on the exemptions from the valuation and minority approval requirements of MI 61-101 contained in paragraph (a) of Section 5.5 and paragraph (a) of Section 5.7, respectively, of MI 61-101, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the portion of the private placement subscribed for by Muzzo Brothers exceeded 25% of the Company's market capitalization.

On October 4, 2010, the Company completed a non-brokered private placement of 2,857,143 common shares of the Company to Codding Enterprises L.P. ("Codding"), an existing shareholder and an insider of the Company, at a price of \$0.07 per common share resulting in gross proceeds of \$200,000 to the Company. In addition, Codding received one-half of a common share purchase warrant for each common share subscribed for. Each common share purchase warrant is exercisable to purchase one common share of the Company at a price of \$0.12 per common share and will expire on October 4, 2012. The common shares and common share purchase warrants are subject to resale restrictions as "restricted securities" as such term is defined in Rule 144(a)(3) under the United States Securities Act of 1933, as amended. In addition, Codding has agreed with

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

the Company not to sell the common shares or the common shares underlying the common share purchase warrants in, or to residents of, Canada, until the day which is four months and one day following the closing date. The net proceeds from the private placement were used by the Company for working capital purposes. Warrant value recorded contributed surplus of \$56,236 as of December 31, 2011.

See “Subsequent Events”, Note 18, for additional details related to the Company’s private placements.

The Company’s share capital consists of an unlimited number of common voting shares without par value.

	December 31, 2010		December 31, 2009	
	Number of shares #	Paid-up capital \$	Number of shares #	Paid-up capital \$
Common shares authorized - Unlimited				
Common shares outstanding, January 1	50,823,110	61,114,911	30,982,858	56,733,075
Common shares converted from debenture	—	—	12,540,252	3,034,742
Common shares issued in private placements	8,496,384	737,154	7,300,000	1,825,000
Share issue costs	—	(21,644)	—	(477,906)
Common shares outstanding, end of period	59,319,494	61,830,420	50,823,110	61,114,911

[b] Options

The Stock Option Plan is intended to attract, retain and motivate directors, 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 immediate vesting 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 2,718,000 options issued under the Company's Stock Option Plan as at December 31, 2010 [2009 – 2,238,674 options issued].

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

The following table presents information concerning stock options granted to directors, officers and salaried employees of the Company as of December 31, 2010:

	2010		2009	
	Number of Options #	Weighted average exercise price \$	Number of Options #	Weighted average exercise price \$
Outstanding, beginning of year	2,238,674	0.61	2,219,392	0.76
Granted during the year	2,550,000	0.65	700,000	0.27
Forfeited	(2,070,674)	1.36	(680,718)	0.66
Outstanding, end of period	2,718,000	0.68	2,238,674	0.61
Exercisable, end of period	1,507,500	0.68	1,688,174	0.50

The following table summarizes information about the Company's outstanding stock options issued to directors, officers and employees as of December 31, 2010:

Options outstanding			Options exercisable		
Range of exercise prices \$	Number outstanding #	Weighted average remaining contractual life [years]	Weighted average exercise price \$	Number exercisable #	Weighted average exercise price \$
0.01 to 0.07	2,425,000	9.65	0.07	1,225,000	0.07
0.25 to 0.26	153,000	7.07	0.26	153,000	0.26
0.44 to 0.45	65,000	2.46	0.24	65,000	0.45
2.00	20,000	6.32	2.00	15,000	2.00
2.75	55,000	6.56	2.75	49,500	2.75
	2,718,000	9.25	0.15	1,507,500	0.68

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 year ended December 31, 2010 was \$6,422 [2009 - \$169,384]. The fair value for options granted before initial filing of the prospectus was determined using the minimum value method.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

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:

	2010
Expected life of employees options	3.83 years
Expected dividends	Nil
Expected volatility	200.77%
Risk-free interest rate	1.52%

	2009
Expected life of employees options	6 years
Expected dividends	Nil
Expected volatility	75.00%
Risk-free interest rate	2.91 to 2.99%

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

	2009
Risk-free interest rate	2.90%
Assumed expected life of the options	6 years
Dividend yield	Nil

The estimated weighted average fair value of options granted under the Stock Option Plan to directors, officers and employees in 2010 was \$0.15 [2009 - \$0.19] per share based on the date of grant.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

[c] Contributed surplus

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

	2010	2009
	\$	\$
Balance, beginning of period	1,842,492	1,246,358
Stock-based compensation expense related to employee stock options	6,422	169,384
Warrents issued from private placements	56,236	426,750
Common shares outstanding, end of period	1,905,150	1,842,492

[d] Share purchase warrants

Warrants were issued in conjunction with the private placements and maturities of debentures that took place during fiscal 2010, 2009 and 2007. The terms or value of the warrants are determined by the Company's Board of Directors at the time of grant.

Each warrant entitles the holder the right to purchase one common share. The warrants are grouped by exercise price per the table below:

December 31, 2010		
Number of shares	Exercise Price	Expiration Date
#	\$	
1,428,571	0.12	10/5/2016
3,650,000	0.35	7/28/2017
835,712	2.15	6/28/2016
5,914,283		

The weighted average exercise price of the warrants as at December 31, 2010 was \$0.55 and \$0.35 as at December 31, 2009.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

12. DIVESTURE

On October 22, 2010, the Company divested its structural products division, including KML Engineered Homes Ltd., a subsidiary and licensee of the Company, to Guy Street Corporation ("Guy Street"), a Delaware corporation. Accordingly, current and prior period results for this division have been reclassified as discontinued operations.

As part of the transaction, Guy Street acquired all of the outstanding stock of Canadian Steel Frame Solutions Inc. ("CSFS"), formerly 6118216 Canada Inc., a wholly owned subsidiary of the Company that serves only to hold other indirect wholly owned subsidiaries of the Company. CSFS owns 100% of KML Engineered Homes Ltd. ("KML"), the Company's structural products subsidiary, and also owns 100% of Light Steel Joist Solutions Inc. ("LSJS"), a subsidiary that manufactures steel joists only for use by KML in its construction activities. In consideration for the purchase of CSFS (along with its subsidiaries KML and LSJS), Guy Street (i) issued the Company a \$750,000 unsecured convertible promissory note, which matures on September 1, 2020, (ii) indemnified the Company by KML and LSJS for approximately \$780,000 of liabilities owed by the Company, including the amount of \$165,000 owing to Best Joist Inc.; and (iii) granted the Company the right to nominate one person for election to Guy Street's board of directors (or for the appointment to fill a vacancy created in the seat of an elected nominee of the Company) for as long as Guy Street is indebted to the Company or as long as the Company holds an ownership interest directly or indirectly that represents 5% or more of the outstanding shares of Guy Street. As of December 31, 2010 the Company has not nominated a person to the Guy Street's board of directors.

The unsecured convertible promissory note is convertible into common shares of Guy Street, at the option of the Company, which, following such conversion, would equal one-third of Guy Street's outstanding common stock as of the closing date of the divestiture. The promissory note accrues interest at the rate of 8% per annum, compounded annually, until December 1, 2013, at which time it pays quarterly interest until maturity. As of December 31, 2010, the Company has not converted the promissory note (see Note 7).

13. RELATED PARTIES

During fiscal 2010, the Company executed a joint venture agreement with Codding Steel Frame Technologies ("CSFT"), an affiliate of Codding Enterprises L.P. ("Codding"), who is an existing shareholder and an insider of the Company. The Company terminated the license agreement between the Company and Codding and entered into a master license agreement with a newly formed entity, Genesis Steel Frame Solutions L.P. ("GSFS LP"), a California limited partnership. In return, the Company had a 35.7% interest in GSFS LP. Within 12 months of the date of the agreement (May 1, 2010), the Company was required to contribute \$500,000 to GSFS LP in immediately available funds or other similar assets. Once the Company contributed \$500,000 to

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

GSFS LP, the Company's ownership interest would increase from 35.7% to 40%. During the quarter ending September 30, 2010, as part of the reduction to the restricted cash balance (see Note 10), the Company recorded an investment of \$273,866 in GSFS LP. As a result, the Company's ownership interest in GSFS LP increased to 37.5%. Additionally, the Company, within 12 months of the date of the agreement, has the option to contribute \$1,500,000 to GSFS LP in immediately available funds in order to increase its ownership interest to 49%. The Company has accounted for the investment in GSFS LP under the equity method. The Company recorded an impairment of the investment during the fourth quarter of fiscal 2010 of \$273,866.

Muzzo Brothers Group Inc. ("Muzzo Brothers"), an affiliate of Zuzum Acquisition Inc which beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued and outstanding common shares of the Company, as landlord, and the Company, as tenant, entered into a lease dated December 21, 2006 for premises located at 10877 Keele Street, Vaughan, Ontario. The lease is for an initial term of 10 years which commenced on January 31, 2007 and expires on December 31, 2016, and is renewable for a further 10 years at the option of the Company with prior written notice. Annual base rent under the lease is \$727,000. Effective June 30, 2010, the Company and the landlord agreed to amend the commercial property lease. The amended lease agreement reduced the rentable area, thereby reducing the annual minimum base rent to \$635,000. Rental amounts owing to the landlord by the Company were assumed by the acquisition entity as part of the divestiture (see Note 12). During the quarter ended September 30, 2010, the Company entered into a sub-lease agreement with a third party for the period of July 1, 2010 to October 15, 2010 for a portion of the reduced rentable area.

14. COMMITMENTS AND CONTINGENCIES

[a] In the ordinary course of business, the Company has entered into various operating lease agreements for premises and equipment. Lease commitments required for the next five years and thereafter are outlined below. In addition, the Company is required to pay realty taxes and maintenance costs for the leased premises.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

	Property Leases ⁽¹⁾	Equipment Leases ⁽²⁾	Total
	\$	\$	\$
2011	640,421	15,300	655,721
2012	635,921	—	635,921
2013	635,921	—	635,921
2014	635,921	—	635,921
2015	635,921	—	635,921
Thereafter	635,921	—	635,921
	<u>3,820,026</u>	<u>15,300</u>	<u>3,835,326</u>

- 1) As part of the divestiture of the Company's structural products division (see Note 12), rental amounts owing to the landlord, a shareholder of the Company, would be assumed by the acquisition entity as part of the divestiture. During the quarter ended September 30, 2010, the Company entered into a sub-lease agreement with a third party for the period of July 1, 2010 to October 15, 2010 for a portion of the reduced rentable area. Property lease amounts also include a month to month lease for fiscal 2011 of \$375 per month for an annual amount of \$4,500.
- 2) The remaining equipment lease obligation will be paid by Guy Street Corporation per the divestiture agreement (see Note 12).

[b] In the normal course of operations, the Company is subject to lawsuits and claims. Litigation is inherently unpredictable. However, the Company believes that it has valid defenses with respect to legal matters pending against the Company. It is possible, nevertheless, that the Company's consolidated financial position, cash flows or results of operations could be affected by a negative resolution of one or more such matters. As of December 31, 2010, the Company only had claims related to collections of past due bills.

[c] The Company reached an agreement with the Canada Revenue Agency and the Ontario Ministry of Revenue regarding unremitted liabilities in the amount of \$220,899. The amounts have been recorded in accounts payable.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

15. INCOME TAXES

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets and liabilities as at December 31 are as follows:

	2010	2009
	\$	\$
Future tax assets		
Property, plant and equipment	—	2,247,434
Share issue costs	681,349	681,349
Non-capital losses	5,480,663	9,853,149
Scientific research & experimental development pool	766,101	200,031
Total future tax assets	6,928,113	12,981,963
Less valuation allowance	(6,928,113)	(12,981,963)
	—	—

The reconciliation of income taxes at the statutory rate to income tax expense is as follows:

	2010	2009
	\$	\$
Income tax recovery at statutory rate –30% [2009 - 31%]	(1,012,219)	(3,571,128)
Increase (decrease) in income taxes resulting from the following		
Financing fees	—	(337,394)
Tax effect of expenses that are not deductible for tax purposes	—	42,020
Impact of future tax rate changes	—	1,571,769
Benefit of losses not recognized	1,012,219	2,294,733
Income tax recovery	—	—

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

At December 31, 2010, the Company has accumulated Canadian non-capital losses of approximately \$18,949,000 available for carryforward to be applied against taxable income in future years. Of these non-capital losses, \$66,000 will expire in 2014, \$721,000 in 2015, \$3,653,000 in 2026, \$3,483,000 in 2027, \$4,036,000 in 2028, \$4,756,000 in 2029 and \$1,553,436 in 2030.

16. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

[a] Fair values

The Company's financial instruments include cash, accounts receivable and accounts payable and accrued liabilities. The fair values of these instruments approximate their carrying values due to the short term to maturity.

[b] Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. Foreign currency risk exists when the fair value or future cash flows of a financial instrument will fluctuate with changes in the foreign exchange rates. The Company's objective in managing its foreign currency risk is to minimize its exposures to these fluctuations by managing to the extent practical its U.S. dollar collections to pay U.S. dollar obligations.

[c] Liquidity risk

Liquidity risk exists when the Company is not able to meet its financial obligations as they fall due. The Company's growth is financed through the combination of cash flows from operations, debt borrowings and the issuance of equity. One of the Company's primary goals is to maintain an optimal level of liquidity through the active management of assets and liabilities as well as the cash flows. Substantially all of the Company's financial liabilities will mature within one year. The Company expects that it will be necessary to raise additional capital during 2011 to meet its development plans and to fund operations.

The Company continues to look at options to raise additional capital which would allow the Company to pursue its growth initiatives and improve its liquidity. If the Company is unable to raise additional capital in the immediate future, it does not expect its operations to generate sufficient cash flow to fund its obligations as they come due. Additional funding may be in the form of debt or equity or a hybrid instrument depending on the needs of the investor. There can be no assurances however, that the Company will be successful in obtaining the necessary immediate short-term funding necessary to continue as a going concern. In the event that the Company is not

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

able to secure additional immediate financing to fund its short term operating requirements, the Company may be forced to discontinue operations.

[d] Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Company is exposed to the risk of changing interest rates for cash and cash equivalents held. If interest rates were to shift significantly there would be minimal impact on the Company's results.

[e] Credit risk and customer concentration

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables. Management has made their best estimate of an allowance for the risk related to collection of amounts due to the Company. The Company's maximum exposure to credit risk is the outstanding accounts receivable. As of December 31, 2010, the Company had an allowance for doubtful accounts in the amount of \$582,146.

At December 31, 2010, three customers [2009 - one] individually represented more than 10% of the total accounts receivable balance, and collectively accounted for 88% [2009 - 51%] of the total accounts receivable balance.

[f] Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the research and development of its products and to maintain flexible capital structure for its projects for the benefit of its shareholders. In the management of capital, the Company includes the components of shareholders' equity as well as cash, receivables and current liabilities.

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, acquire or dispose of assets or adjust the amount of cash. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. The Company is not subject to externally imposed capital requirements.

The Company continues to look at options to raise additional capital, which would allow the Company to pursue its growth initiatives and improve its liquidity. This initiative has proved challenging due to the current state of the global financial markets, but the Company will continue to search for opportunities that may be available to it. If the Company is unable to raise additional capital in the immediate future, it does not expect its operations to generate sufficient cash flow to fund its obligations as they come due. There can be no assurances however, that the Company will be successful in obtaining the necessary immediate short-term funding necessary to continue as a going concern. In the event that the Company is not able to secure additional immediate financing to fund its short term operating requirements, insolvency proceedings may be pursued by one or more of Genesis and its subsidiaries.

17. SEGMENTED INFORMATION

The Company operates within one operating segment after the divestiture of its entities (see Note 12). The Company's one business segment develops software solutions that provide turn-key solutions enabling customers to custom design, manufacture and install complete light steel building structures. As the Company operates within one operating segment, these financial statements do not disclose segmented information for fiscal 2010. Revenue attributable to geographic locations, based on the location of the customer, is as follows:

Year ended December 31,	Canada	U.S.	International	Consolidated
	\$	\$	\$	\$
2010	1,486	128,479	45,590	175,555
2009	93,835	427,945	3,372,240	3,894,019

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

The Company's 2009 revenue segment consisted of the following:

Year ended December 31, 2009	Licensing	Structural	Total	Corporate	Consolidated
	\$	products	operations		
Revenues	3,894,019	8,997,747	12,891,766	—	12,891,766
Direct cost of revenues	1,929,477	8,146,660	10,076,137	—	10,076,137
Contribution margin	1,964,542	851,087	2,815,629	—	2,815,629
Expenses before the undernoted	3,689,039	4,094,242	7,783,281	1,981,263	9,764,544
Income loss before the following	(1,724,497)	(3,243,155)	(4,967,652)	(1,981,263)	(6,948,915)
Amortization	(373,425)	(846,410)	(1,219,835)	(10,781)	(1,230,616)
Impairment loss	(1,023,863)	(1,634,014)	(2,657,877)	—	(2,657,877)
Foreign exchange gain (loss)	25,945	459	26,404	4,537	30,941
Asset disposal loss	(38,980)	(3,877)	(42,857)	(3,302)	(46,159)
Interest and minimum royalty accretion	(284,244)	(334,936)	(619,180)	(47,961)	(667,141)
Net loss for the year	(3,419,064)	(6,061,933)	(9,480,997)	(2,038,770)	(11,519,767)

As at December 31, 2009	Licensing	Structural	Total	Corporate	Consolidated
	\$	products	operations		
Total Assets	1,432,742	6,133,613	7,566,355	206,647	7,773,002
Capital expenditures	17,067	34,491	51,558	483	52,041
Property, plant and equipment	—	2,225,759	2,225,759	6,845	2,232,604
Intangible assets	1,009,290	2,510	1,011,800	3,301	1,015,101

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2010, the Company made application and received approval to voluntarily delist its common shares from the Toronto Stock Exchange (the "TSX"), effective February 18, 2011 at the close of market, as the Company was subject to a delisting review by the TSX, as the Company did not meet continued listing requirements. In an effort to ensure uninterrupted trading of the Company's common shares, the Company made application and received approval from the NEX exchange (the "NEX"), a separate board of the TSX Venture

Genesis Worldwide Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010.

Exchange, to list its common shares effective at market open on Tuesday, February 22, 2011. The Company believes that a transfer in its stock exchange listing to the NEX will provide greater operational efficiency, further access to adequate financing, and lower public filing costs for the Company, while allowing shareholders continued liquidity on a recognized TMX Group board.

On February 16, 2011, the Company completed a brokered private placement through Canaccord Genuity Corp. acting as the Company's exclusive agent and finder on a commercially reasonable efforts basis. Pursuant to the private placement, 20,000,000 units, including 6,500,000 units issued pursuant to the over-allotment option which was granted to the agent and exercised in full, were issued to arm's-length parties at a price of \$0.05 per unit, resulting in gross proceeds of \$1,000,000 to the Company. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.10 at any time on or prior to February 16, 2013. The common shares and common share purchase warrants comprising the units and the common shares issuable upon the exercise of the common share purchase warrants will be subject to a hold period of four (4) months from the closing of the private placement. On the closing of the private placement, the agent was i) paid, as agent and finder, a cash commission equal to 7% of the gross proceeds from the private placement; ii) issued common share purchase warrants to acquire 2,000,000 common shares equal to 10% of the units sold under the private placement, with each such common share purchase warrant entitling the agent to acquire one common share at an exercise price of \$0.05 at any time on or prior to February 16, 2013; and iii) issued 1,368,889 units as a corporate finance fee. The net proceeds from the private placement will be used by the Company for working capital purposes.

On March 24, 2011, the Company completed a non-brokered placement of 541,667 common shares of the Company at a price of \$0.06 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate amount of \$32,500. The common shares issued pursuant to the private placement are subject to a four-month hold period.

On April 8, 2011, the Company completed a non-brokered placement of 937,500 common shares of the Company at a price of \$0.08 per common share in satisfaction of service provided to the Company, an aggregate amount of \$75,000 pursuant to a management consultant agreement dated November 9, 2009 and a payment agreement dated March 7, 2011.

Subsequent to December 31, 2010, the Company, as part of its joint venture with Genesis Steel Frame Solutions (see Note 13), entered into a sublease agreement with Coddling Enterprises L.P. ("Coddling"), who is an existing shareholder and an insider of the Company, for office space located in Rohnert Park, California. The Company is responsible for half the rent of \$3,748 per month. The lease expires on June 30, 2012.