



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Dated: March 5, 2009

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Genesis Worldwide Inc. ("Genesis" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the fiscal year ended December 31, 2008 and 2007, filed with the Canadian securities regulatory authorities, which may be accessed at www.sedar.com. The audited consolidated financial statements and accompanying notes have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). All dollar amounts are in Canadian dollars unless stated otherwise. The information contained herein is dated as of March 5, 2009, and is current to that date, unless otherwise stated. The Company's fiscal year commences January 1st of each year and ends on December 31st of that year.

In this document, "we", "us", "our", "Company" and "Genesis" all refer to Genesis Worldwide Inc. collectively with its subsidiaries. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

Further information regarding the Company, and its business and operations, may be obtained from the Company's continuous disclosure documents filed from time-to-time with the Canadian securities regulatory authorities. These continuous disclosure documents are available through the Company's website at www.genesisworldwide.com or through the SEDAR website maintained by the Canadian securities regulatory authorities, which can be accessed at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking statements within the meaning of applicable securities laws, which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section contained in the Company's Annual Information Form ("AIF"), a copy of which is available on SEDAR at www.sedar.com. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the Company cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements. You should not place undue importance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or release any revisions to these forward-looking statements, except required by law, to reflect events, circumstances or the occurrence of unanticipated events, or if management's projections, beliefs or opinions change after the date of this MD&A.

Selected Financial Information

The following tables set out selected consolidated financial information for the periods indicated. The selected financial information set out below as at and for the years ended December 31, 2008, 2007, and 2006 respectively, has been derived from the audited consolidated financial statements and accompanying notes for the years ended December 31, 2008 and 2007. The financial information for the three month periods ended December 31, 2008 and 2007 have been prepared by management in accordance with Canadian GAAP in a manner consistent with its annual audited consolidated financial statements and have not been subject to review by the Company's auditors. Each investor should read the following information in conjunction with those consolidated financial statements and the notes thereto.

Consolidated Statements of Operations Data

(in thousands of dollars, except share data)	Three Months Ended December 31		Fiscal Year Ended December 31		
	2008	2007	2008	2007	2006
Revenues					
Licensing	\$ 1,542	\$ 1,648	\$ 8,852	\$ 8,523	\$ 3,507
Structural Products	2,910	6,750	12,409	15,920	16,706
Total revenues	4,452	8,398	21,261	24,443	20,213
Direct cost of revenues					
Licensing	757	552	3,980	4,049	1,731
Structural Products	2,451	4,959	10,919	12,119	16,154
Total direct cost of revenues	3,208	5,481	14,899	16,168	17,885
	1,244	2,917	6,362	8,275	2,328
Operating Expenses					
Research and development (recovery)	352	(69)	1,193	306	1,041
Selling and marketing	539	596	2,522	1,924	1,341
Engineering and project management	402	427	1,745	1,741	1,369
General and administration	733	1,089	4,559	4,339	3,592
Occupancy	548	448	1,636	1,518	1,182
Corporate reorganization costs	--	--	464	--	--
Plant commissioning and restructuring costs	--	--	--	776	--
	2,574	2,491	12,119	10,604	8,525
Income (Loss) before other expenses	(1,330)	426	(5,757)	(2,329)	(6,197)
Amortization	288	274	1,147	985	886
Debt and loan interest expense (income)	45	(109)	97	914	148
Minimum royalty accretion	69	76	289	299	293
Foreign exchange gain	(39)	(6)	(60)	(19)	(65)
	363	235	1,472	2,179	1,262
Net income (loss) and comprehensive loss for the period	\$ (1,693)	\$ 191	\$ (7,229)	\$ (4,508)	\$ (7,459)
Net income (loss) per share – basic and diluted	\$ (0.05)	\$ 0.01	\$ (0.23)	\$ (0.17)	\$ (0.36)
Weighted average number of common shares outstanding - basic	30,982,858	30,982,858	30,982,858	25,969,159	20,982,858
- diluted	30,982,858	32,492,486	30,982,858	25,969,159	20,982,858

Consolidated Balance Sheet Data

(in thousands of dollars)	As at December 31, 2008	As at December 31, 2007
Cash and cash equivalents	\$ 167	\$ 5,988
Accounts receivable	7,781	10,455
Total assets	17,339	24,743
Total liabilities	12,630	12,973
<u>Shareholders' equity</u>	<u>4,709</u>	<u>11,770</u>

Overview

Genesis is a “green” building products and technology provider. Genesis provides, develops and licenses light steel structural building technologies aimed at the global residential, commercial and institutional building markets. Genesis offers licensees a turn-key solution enabling them 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”. The Company’s operating activities consist of the ongoing development, licensing and application of its technologies through the licensing and structural products divisions. Genesis generates its revenues from both the licensing and the application of these technologies. The Company refers to the licensing of its technologies as the licensing division or licensing business, and the application of its technologies to build structural products as the structural products division.

The Market

The current global economic downturn has resulted in major turmoil with numerous financial institutions, as well as significant erosion of stock market values. The volatile and uncertain economic environment presents many companies with new business challenges. For the Company, the potential of this downturn affecting its results is significant because not only have builders been affected by the slowdown in consumer demand, the global financial industry has been significantly impacted, which, in turn, negatively affects the construction industry, as most construction projects require financing. The impact on the financial industry has resulted in builder financing evaporating for new projects and, in some instances, projects partially completed have been abandoned due to financing being withdrawn or terms changed, such that the builders are not able to survive. Thus, the close of the current year and outlook for next year has proven to make it a very challenging environment for most companies, including Genesis.

The Company’s licensing division operates worldwide and the markets vary greatly. In the last several months, it appears that almost all markets globally have been impacted by the global economic downturn, whilst some markets are being impacted more than others. Governments globally have responded with numerous stimulus packages to help spur their economies. Government stimulus packages have attempted to drive construction projects in schools, hospitals, and other government buildings. One advantage of the Genesis Solution is its diversity in terms of the types of projects that it can be applied to. The hardest hit segment of the global market has been single family homes, while the commercial and institutional building market is not suffering to the same degree. The Genesis Solution can be applied equally to the single family home market, as well as the commercial and institutional building market that is eight storeys and under. Therefore, the Company will continue to focus its selling and marketing efforts on the areas still showing activity, which means both geographically and by segment.

The Company’s structural products division, KML Engineered Homes Ltd., operates primarily in the Ontario, Canada marketplace, and the new construction market for Ontario is forecasted to show significant market decline from the very robust market growth over the past six years. There has been a definite slowdown in residential projects, but there is some new activity in government supported projects, such as low income housing, retirement homes and schools. Therefore, the structural products division has shifted its focus on these still active areas until the residential and commercial markets recover.

Material costs are changing significantly. Steel pricing has experienced double digit increases during the first three quarters of 2008, and stabilized in the fourth quarter of 2008. Concrete costs are rising at similar rates, with concrete being the main structural material used throughout the world, other than in North America. In North America, wood is the predominant structural material and its costs have dropped to their lowest levels in the past several years. In particular, low wood prices have put pressure on the Company's structural products division, and the Company as a whole. To react to these pricing pressures, the Company has and will continue to innovate its way out of these price variances and reliance on others for supplies – Material Optimization Technology (“MOT”) is one such innovation that allowed the Company to purchase steel coils (commodity pricing) and manufacture formed pieces itself, versus purchasing pre-formed steel which created a reliance on suppliers for timing and pricing. This change has meant a reduction in raw material costs and an increase in customer satisfaction. Prior to the Company's investment in MOT, if customers had changes, it could take several days to source and produce the new piece, whereas with MOT, the change can be produced internally and delivered to site the next day. The Company has also begun to develop “SMART” parts, which are new pieces that, when implemented into the production process, reduce inefficiencies such as welding, painting, and other fabrication activities, and even enable installers to address site related foundation imperfections rather than having to return materials to the factory for slight changes. These innovations are being implemented during the first part of fiscal 2009. With additional SMART components anticipated throughout 2009, management believes this will continue to allow the Company to reduce its production costs and offset material price pressures and fluctuations.

The use of light gauge steel as a structural material worldwide is still in its infancy. The Company estimates that the worldwide market share for light gauge steel is less than 1%. The Company's strategy for its licensing activities is to focus on those markets that offer the greatest overall potential for growth.

Overall Performance and Response to Market Conditions

In light of the extremely tough economic conditions experienced in the second half of 2008, the Company focused its efforts to try to make changes to advance its progress on the path to profitability and to better position itself as a service provider of choice, both as a licensor and a provider of green products. As a result of this focus, the Company accomplished the following advancements in the fourth quarter of 2008:

- (1) Reduced its reoccurring operating costs by approximately 25%, compared to the previous three quarters, and is in the process of delisting from its AIM listing, effective March 11, 2009, thus lowering public company costs. These cost reductions significantly lower the Company's breakeven point.
- (2) Continues to develop its production and installation processes to find ways to reduce costs both from a material and efficiency perspective, i.e. MOT and SMART parts, which improve margins.
- (3) Developed a new Solution Provider Program for 2009, which enables its licensing division to target a broader range of customers, which greatly reduces the cost to entry for new partners and also strengthens its global coverage.
- (4) Customer satisfaction increasing from its structural products division as MOT has allowed the division to significantly decrease its response time to customer structural changes or unexpected modifications. The improved response time means that projects are being completed faster and at a lower cost, which is resulting in additional revenue opportunities with these customers.
- (5) The Company grew its licensing division revenue for the fourth consecutive year. The licensing division has continued to grow, and it has experienced a cumulative average growth rate of 172% over the past four years.

- (6) The Company continues to sell aggressively which is resulting in new signed contracts.

Backlog as at December 31, 2008 was strong. The Company defines backlog for its licensing division as unrecognized contractual commitments, other than minimum royalty payments, that have yet to be recognized by the Company. In the case of multi-year/multi-facility commitments made by licensees, the backlog estimate assumes subsequent facilities match the industrial technologies purchased for the first facility. For the structural products division, backlog is the unrecognized portion of signed construction contracts. The timing of these contractual commitments into revenue is uncertain and the possibility exists that contractual commitments can be deferred indefinitely (de-booked). To date, the Company has not experienced any decrease in contractual commitments in backlog, although there has been some delay in the expected start dates for some projects that have yet to commence.

As at December 31, 2008, the Company had a total backlog of approximately \$47.0 million. This represents a growth rate of 28% above backlog of approximately \$36.7 million as at December 31, 2007. As at December 31, 2008, backlog for the licensing division was approximately \$19.0 million, and \$28.0 million for the structural products division.

- (7) Research and development activities are directed at shorter term, higher payback initiatives. One such initiative is the development of SMART components.
- (8) The Company continues to closely monitor all receivables and has implemented continual monitoring of collections.
- (9) The Company reduced its headcount by 36%, from 131 employees at December 31, 2007, to 84 employees at December 31, 2008.
- (10) The Company improved its contribution margin in the fourth quarter of 2008 for the structural products division, compared to the third quarter of 2008, from 12.6% to 15.8%

All the above initiatives are working towards achieving operating profitably, which is the Company's primary goal in fiscal 2009.

Comparison of the Three Months and Year Ended December 31, 2008 and December 31, 2007

Revenues

(a) Licensing

Licensing revenues for the fourth quarter of 2008 were \$1,542,000, compared to \$1,648,000 for the same quarter in 2007, representing a decrease of 6%. Revenue for the fourth quarter of 2008 mainly related to the shipping of industrial equipment to the new licensee in the Baltic region and a partial shipment of equipment to the Company's second Russian licensee, and the remaining revenue related to royalties and services. This was compared to the recognition of the license revenue for the first Russian licensee and some equipment in 2007. Revenue for this division is dependent upon the timing of delivering software licenses and industrial equipment, which can cause variability in quarterly results. Year to date comparisons are a more accurate indicator of revenue trends.

Licensing revenues for the fiscal year ended December 31, 2008 were \$8,852,000, compared to \$8,523,000 for the same period in 2007, representing an increase of 4%. During 2008, the Company delivered software to four licensees; delivered industrial equipment to four different licensees - two MOT lines and two C4 lines; and earned royalty income and revenue from other services provided to licensees. In 2007, the Company delivered software to four licensees; delivered industrial equipment for the C4 line to four licensees; and earned royalty income and revenue from other services provided to licensees.

(b) Structural Products

Revenues for the structural products division for the fourth quarter of 2008 were \$2,910,000, compared to \$6,750,000 for the same quarter last year, representing a decrease of 57%. The current economic situation in 2008 resulted in the delay in the start of several projects until early 2009, thus fourth quarter 2008 revenues were lower than expected, however, the delays mean that the outlook for 2009 remains positive as these projects are still planned to proceed and thus contribute to our backlog. Comparatively, during the fourth quarter of 2007, the Company had seven projects underway, which was the highest activity level ever, thus revenue was significantly higher.

Structural products revenues for the year ended December 31, 2008 were \$12,409,000, compared to \$15,920,000 for fiscal 2007, representing a decrease of 22%. As noted above, the reason for the decrease in revenues in the current year related to the economic slowdown experienced in the financial and construction industries, with the most significant impact felt in the latter part of the year with the delay in some projects. The Company expects these projects to proceed in 2009, and with the significant signed contract backlog the Company anticipates that revenues for fiscal year 2009 will be stronger.

Direct Cost of Revenues

For licensing revenues, cost of revenues consists of the direct cost of the industrial manufacturing equipment. Direct cost of revenues for licensing as a percentage of revenue is dependant upon the mix of software revenue, industrial equipment revenue, royalty revenue and other revenues recorded in any one quarter, as the only revenue components that have a direct cost are the industrial equipment and miscellaneous supplies sold to licensees.

Direct cost of revenues for structural products consists of direct labour, direct material, certain plant overheads, and shipping and installation costs.

(a) Licensing

Direct cost of revenues for the licensing division for the fourth quarter of 2008 were \$757,000, or 49% of the licensing division's revenue, compared to \$552,000, or 33% of this division's revenue for the fourth quarter of 2007. This cost increase as a percentage of revenue compared to the same period a year ago is due to the fact that the vast majority of the licensing revenues for the fourth quarter of 2008 were for industrial equipment that was shipped during the quarter, whereas, in the fourth quarter of 2007 there was \$990,000 of license revenue recognised, which has significantly less direct costs. Direct cost of revenues for licensing as a percentage of revenue is dependant upon the mix of software revenue, industrial equipment revenue, royalty revenue and other revenues recorded in any one quarter.

Direct cost of revenues for licensing for the year ended December 31, 2008 were \$3,980,000, or 45% of the licensing division's revenue, compared to \$4,049,000, or 48% of this division's revenue for the same period in 2007. Year over year, the number of licenses delivered and equipment lines shipped was comparable, however, in 2008 there were increased royalty and services revenues, which resulted in a lower percentage of direct costs to revenue when compared to 2007.

(b) Structural Products

Direct cost of revenues for structural products were \$2,451,000 for the fourth quarter of 2008, or 84% of the structural products division's revenue, compared to \$4,959,000, or 73% of this division's revenue for the fourth quarter of 2007. This increase was attributable to two factors:

- (1) The Company experienced higher material costs in the fourth quarter of 2008, with the average cost of steel of \$0.64 per pound, compared to average steel costs of \$0.45 per pound in 2007, which represents a cost increase of 42%. While steel prices did increase by approximately 42% during the fourth quarter of 2008 compared to the same quarter in 2007, the cost was partially offset by the utilization of MOT.

- (2) The lower volumes experienced during the fourth quarter of 2008 resulted in decreases in margins due to certain fixed expenses associated with product manufacturing.

Direct cost of revenues for structural products for fiscal 2008 were \$10,919,000, or 88% of the structural product's division's revenue, compared to \$12,119,000, or 76% of this division's revenue for the same period a year ago. The increases in costs as a percentage of revenue by 12% year over year occurred as a result of increased steel costs, and the additional 7% of non-reoccurring costs incurred as a result of the defective services and materials in the second and third quarters of 2008. The Company expects the direct cost of revenues for structural products to improve at least to its historical levels of 18%-20% in 2009 as a result of current lower steel prices and the benefits of MOT and SMART process initiatives for the complete year.

Research and Development

Research and development ("R&D") costs consist primarily of salaries and other personnel costs, as well as certification and materials costs, including prototypes and testing, associated with new product introductions. Any actual and estimated recoveries from the filing of Scientific Research and Experimental Development ("SR&ED") tax claims made to the Canadian and Ontario governments are netted against these expenses. Until the Company's initial public offering ("IPO") on July 3, 2007, the Company was classified as a Canadian Controlled Private Corporation ("CCPC"). By virtue of being a CCPC up to July 3, 2007, the Company is entitled to 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 the investment tax credit earned by the Company is no longer be refundable but is still available as a credit to the Company at a reduced rate to reduce future cash taxes payable.

R&D expense for the fourth quarter of 2008 was \$352,000, compared to a recovery of \$69,000 for the same quarter last year, representing an increase of \$421,000. The reason for the change is that, in the fourth quarter of 2007, the Company recognized \$351,000 in SR&ED credits relating 2005 and 2006 SR&ED claims, and no amounts were recorded in the fourth quarter of 2008.

R&D expense for the year ended December 31, 2008 was \$1,193,000, compared to \$306,000 for the same period last year. This increase in fiscal 2008 of \$887,000 relates predominately to extra certification costs for European standards of \$88,000, and increased salary and benefit costs of \$103,000. SR&ED recovery for 2008 related to prior years was \$101,000, compared to \$771,000 for 2007.

Selling and Marketing

Selling and marketing costs consist primarily of salaries, commissions and other personnel costs, including travel, participation in trade shows and conferences, and other marketing activities.

Selling and marketing expenses were \$539,000 for the fourth quarter of 2008, compared to \$596,000 for the fourth quarter of 2007. This decrease in expense of \$57,000 is mainly a result of the timing of selling and marketing activities during the year. In 2007, additional expenses were incurred in the fourth quarter as the Company's licensing division was increasing its activity after the completion of the IPO, whereas, in 2008, although the activity has continued to increase, it was spread throughout the year.

Selling and marketing expenses for fiscal 2008 were \$2,522,000, compared to \$1,924,000 for fiscal 2007. This increase of \$598,000 reflects the continued investment the Company is making in its sales and marketing activities in its licensing division. Headcount in the licensing selling and marketing division has doubled year over year and new sales offices were opened in Ireland and the US.

Engineering and Project Management

Engineering and project management expense consists primarily of salaries and other personnel costs of the Company's engineering and project management team.

Engineering and project management expense for the fourth quarter of 2008 was \$402,000, compared to \$427,000 for the same quarter last year. This decrease of \$25,000 is primarily the result of the Company trying to strategically reduce costs by increasing efficiency through process improvements.

Engineering and project management expense for the year ended December 31, 2008 was \$1,745,000, compared to \$1,741,000 for the same period last year.

General and Administrative

General and administrative expense relates to general personnel costs, insurance, professional fees relating to tax, legal and audits, as well as bad debt expense. Bad debt expense consists of the charge taken in the year a receivable is deemed uncollectible by the Company and will include the expected legal costs incurred to collect such debts. Any recoveries are netted against these costs in the year they are collected.

General and administrative expense was \$733,000 for the fourth quarter of 2008, compared to \$1,089,000 for the same period a year ago, representing a decrease of \$356,000. The reason for the decrease related to a reduction in salary costs by \$104,000 in 2008 compared 2007, due to the corporate reorganization that occurred in the third quarter of 2008, and a recovery of bad debt for \$246,000.

General and administration expense was \$4,559,000 for the year ended December 31, 2008, compared to \$4,339,000 for the same period a year ago. This increase of \$220,000 consists of increased expenses of \$72,000 related to being a public company, an increase in bad debt expense, net of recoveries, of \$257,000. These increases were partially offset by lower salary costs due to corporate reorganization of approximately \$150,000.

Occupancy

Occupancy costs consist of rent, utilities, property insurance and municipal taxes for rental properties.

Occupancy expense for the fourth quarter of 2008 was \$548,000, compared to \$448,000 for the same quarter last year. The increase of \$100,000 is related to a charge in the quarter of \$138,000 for a municipal adjustment to property taxes related to 2007 and 2008, which was not anticipated. The Company is going to file an appeal, but the assessment must be paid first, and then any reduction will be reflected in the period it is awarded.

Occupancy expense for the year ended December 31, 2008 was \$1,636,000, compared to \$1,518,000 for the same period in 2007, representing an increase of \$118,000. This increase relates to the property tax assessment noted above, and the increased cost of the Vaughan, Ontario facility, compared to the old manufacturing facility located in Cambridge, Ontario.

Plant Commissioning and Restructuring Costs

Plant commissioning and restructuring costs consist of costs associated with the relocation and set-up of the former KML operation located in Cambridge, Ontario, and Light Steel Joist Solutions Inc., the Company's i-SPAN operation located in Woodbridge, Ontario, to the Company's new facility located in Vaughan, Ontario in 2007. The cost was \$776,000 and included severance costs, moving costs, duplicate rent payments, set-up costs, and rental penalties. These costs were incurred in the first three quarters of 2007 and there were no associated costs in fiscal 2008.

Corporate Reorganization Costs

Corporate reorganization costs are costs incurred as severance and termination payments related to senior organizational changes.

During 2008, the Company made some senior organizational changes which resulted in the recording of termination and severance costs of \$464,000 (2007 – nil). None of these costs were incurred in the fourth quarter of 2008

Amortization

Amortization costs relate to property, plant and equipment, and intangible assets.

Amortization expense was \$288,000 for the fourth quarter of 2008, compared to \$274,000 for the same period last year. This increase of \$14,000 relates to the amortization of the new industrial equipment, including MOT, purchased for the Vaughan manufacturing facility.

Amortization expense was \$1,147,000 for the year ended December 31, 2008, compared to \$985,000 for the same period last year. This increase of \$162,000 relates to the amortization of the new industrial equipment, including MOT, purchased during the latter half of 2007 for the Vaughan manufacturing facility.

Foreign Exchange Gain

Foreign exchange gains relate to the positive or negative realization in foreign currency transactions between the time revenue is booked or expenses are incurred, and the actual cash is received or expended.

The Company had foreign exchange gains of \$39,000 and \$60,000 for the fourth quarter of 2008, and the year ended December 31, 2008, respectively, compared to gains of \$6,000 and \$19,000 for the same periods in 2007. These gains are attributable to the fluctuating value of the Canadian dollar vis-à-vis the U.S. dollar.

The majority of the Company's business is transacted in Canadian and U.S. dollars. Since the headquarters of the Company are located in Canada, the majority of the Company's operating expenses are denominated in Canadian dollars. Where possible, the Company tries to have a natural hedge of paying U.S. dollar expenses from U.S. dollar collections, however, there is still some exposure to the risk of fluctuation in the U.S.-to-Canadian dollar exchange rate.

Debenture and Loan Interest

Debenture and loan interest expense relates to the carrying cost of carrying debt, net of any interest earned on cash deposits.

Loan interest expense for the fourth quarter of 2008 was \$45,000, compared to interest income of \$109,000 for the fourth quarter of 2007. The expense in the fourth quarter of 2008 relates to the non-revolving term loan entered into during the second quarter of 2008, and in 2007 there was no similar interest expense, but rather interest income related to the interest earned on the proceeds of the IPO that was completed in the second quarter of 2007.

For the year ended December 31, 2008, the Company incurred \$97,000 in interest expenses mainly related to the interest on the non-revolving term loan, compared to \$914,000 of interest expense for the same period in 2007, which related to the interest expense associated with the debentures of \$1,023,000, which were repaid in July 2007. This expense has been offset by subsequent interest income earned as noted above.

Investment income is netted against expenses.

Liquidity and Capital Resources

Since its incorporation in July 2003, the Company has funded its operations and capital resources requirements through the issuance of equity securities, various types of debt financings and deferred revenue. As at the date of this MD&A, the Company has completed two additional financings in the last twelve months as described below. These and any future transactions will allow the Company to continue to execute its business plans and long-term growth strategy.

In July 2008, KML completed a three-year secured non-revolving term loan with a large non-bank Canadian lender. KML received \$1,800,000 in gross proceeds and provided an irrevocable letter of credit to the lender for \$500,000. As no subsidiaries of the Company had a credit facility, an equal amount of the \$500,000 acts as cash collateral for this letter of credit, issued by a Canadian Schedule A bank. This cash has been deemed restricted cash in the balance sheet presentation. As at December 31, 2008, the Company was in violation of its current ratio covenant, and subsequently obtained a tolerance letter from its lender for this violation for the fourth quarter, however, the Company must be in compliance by March 31, 2009. The Company is taking steps to improve its liquidity situation, which in turn will ensure its compliance with the covenants. The issuance of the convertible debenture discussed in further detail below, is an example of such actions the Company has taken and will continue to taken to ensure that the Company has the proper liquidity to operate in this difficult environment.

On February 20, 2009, the Company issued a secured convertible debenture (the “Debenture”) to Coddling Enterprises (“Coddling”), an associated company of Coddling Steel Frame Solutions, which is one of the Company’s existing licensees, for a principal amount of \$1,534,742. The Debenture matures on August 20, 2010 and bears an interest at the rate of 10% per annum, and is convertible at the option of Coddling into common shares of Genesis at a conversion price of \$0.242. The Debenture is secured by a general security interest in all of the assets of Genesis, which ranks subsequent to the security interest previously granted.

In view of the current operating results and the difficult economic environment, the Company has significantly reduced its operating costs in the latter part of the fiscal year with a view to managing its business based on its anticipated revenues from its licensing arrangements and structural product backlog. The Company began 2009 with \$47 million in backlog, and sees the opportunity for additional sales internationally in areas continuing to show growth, such as China, India, and the introduction of a new revenue stream with the Solution Provider Program. Also, in Ontario, the Company sees potential additional revenues in the government sector, namely, schools and low income housing, which is showing increased activity as part of government stimulus packages. Furthermore, the Company continues to manage its workforce, which is its largest expenditure, and will adjust levels according to the needs of the business. The Company’s required capital expenditures in the near future will be significantly less than in the past two years when the Company upgraded its complete manufacturing facility located in Vaughan, Ontario. Future capital expenditures will discretionary expenditures that will only be incurred if they can provide tangible cost reductions.

Thus, the Company believes that it can execute on this plan which will enable the Company to fund operating activities and required capital expenditures based on its current financings and anticipated future results. As at the end of February, the Company had collected \$2.9 million of its receivables that were outstanding as at December 31, 2008, of which \$1.4 million related to balances outstanding more than 120 days.

As noted in previous quarters, the Company continues to look at options to add additional capital in the form of debt or new capital, which would allow the Company to advance its growth initiatives. This initiative has proved challenging due to the current retraction in the global financial markets, but the Company will continue to explore opportunities that are in the market.

The table below outlines selected balance sheet accounts and a summary of cash inflows and outflows by activities:

Selected Balance Sheet and Cash Flow Data

(in thousands of dollars, except working capital ratios)	December 31, 2008	December 31, 2007
Cash and cash equivalents	\$ 167	\$ 5,988
Working capital	(759)	6,374
Long-term assets	7,454	7,062
Long-term liabilities	1,986	1,665
Working capital ratio	0.9 to 1	1.5 to 1

Cash Inflows and (Outflows) by Activities

(in thousands of dollars)	December 31, 2008	December 31, 2007
Operating activities	\$ (5,103)	\$ (3,657)
Investing activities	(1,772)	(2,889)
Financing activities	1,054	11,523
Net cash inflows (outflows)	(5,821)	4,976

Cash Used in Operating Activities

The Company used \$5,103,000 of cash in its operations during fiscal 2008; \$5,641,000 was used to fund the net cash loss for the year; \$500,000 was sourced by the net decrease in accounts receivable, and increases in accounts payable versus increases in the other working capital balances. Inventory held for resale pertaining to Russia, and other inventory, customer deposits, and prepaid expenses increased by \$1,759,000 compared to 2007.

The continued adverse economic environment will impact the Company's exposure to credit risk. The Company monitors operating practices of its customers to identify credit and collection risks in a timely manner and reviews its revenue forecasts based on developing information. Management will continue to monitor and focus on collections and reducing credit risk and bad debt through fiscal 2009.

Financial Instruments

The fair value of accounts receivable, other receivables, accounts payable and accrued liabilities approximates their carrying value due to the immediate or short-term maturity of these financial instruments. Refer to Note 17 of the December 31, 2008 annual audited consolidated financial statements, which provides additional details on the fair values and credit and customer concentration risk related to these financial instruments. The carrying value of the term debt approximates its fair value due to its interest rate and other terms.

Cash Used in Investing Activities

During the year ended December 31, 2008, the Company spent \$1,329,000 on new property, plant and equipment at the Company's new facility in Vaughan, Ontario. The Company also paid \$460,000 in minimum royalty obligations under the license agreement with Best Joist Inc. ("BJI") for the i-SPAN technology, and invested \$132,000 in patents.

Cash Provided by Financing Activities

During the year ended December 31, 2008, the Company completed a net \$1,300,000 three-year secured non-revolving term loan, which is described further under 'Liquidity and Capital Resources'. Loan principal repayments during fiscal 2008 were \$246,000.

Contractual Obligations

The Company has entered into two long-term contracts in the ordinary course of business, which are reflected as contractual obligations.

The first commitment is for the new facility located in Vaughan, Ontario, which showcases the Company's new Coil-to-Panel ("CTP") and Coil-to-Joist ("CTJ") industrial technologies. Muzzo Brothers Group Inc., an affiliate of a beneficial shareholder of the Company, Zuzum Acquisition Inc., 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 commencing on January 1, 2007 and expires on December 31, 2016, but may be renewed for a further 10 years with prior written notice. Annual base rent is \$727,000. The Company is also liable for additional rent for operating costs, utilities and taxes.

The second commitment relates to the technology licensing and ongoing development of i-SPAN. Pursuant to a license agreement entered into on November 10, 2004 between the Company and BJI, the Company is obligated to make quarterly royalty payments of \$0.02 per pound of joist system produced, with a minimum royalty of \$80,000 per quarter until August 2008, and \$150,000 per quarter from August 2008 until November 2011. The agreement may be terminated by BJI on 10 days' notice if the Company fails to make the applicable payments. The Company has capitalized the present value of these future minimum royalty payments as an intangible asset and has recognized the future liability as both current and long-term liabilities as minimum royalty payment obligation.

The Company also entered into a three-year term loan and issued a convertible debenture, as discussed under 'Liquidity and Capital Resources'.

The following table summarizes the Company's contractual obligations:

(in thousands of dollars)	Years						Total
	2009	2010	2011	2012	2013	Thereafter	
Property leases	\$ 1,093	\$ 1,012	\$ 1,011	\$ 1,011	\$ 1,011	\$ 3,033	\$ 8,171
Equipment leases	42	43	42	40	18	--	185
Minimum royalty payments	600	600	600	--	--	--	1,800
Debt	571	619	385	--	--	--	1,575
Convertible debenture ⁽¹⁾	--	1,535	--	--	--	--	1,535
Total	\$ 2,306	\$ 3,809	\$ 2,038	\$ 1,051	\$ 1,029	\$ 3,033	\$ 13,266

⁽¹⁾ Subsequent to December 31, 2008, the Company completed a financing in the form of a convertible debenture.

Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as claims and assessments arising from litigation and other legal proceedings, contractual indemnities, product and environmental liabilities, and tax matters. The Company is required to accrue for such loss contingencies if it is probable that the outcome will be unfavourable, and if the amount of the loss can be reasonably estimated. The Company evaluates its exposure to loss based on the progress of each contingency, experience in similar contingencies and, if necessary, consultation with external legal counsel. The Company re-evaluates all contingencies as additional information becomes available.

Critical Accounting Policies and Estimates

Revenue Recognition

Revenue is recognized when earned, specifically when persuasive evidence of an arrangement exists, services and products have been delivered, the sales price or fees are fixed and determinable, and collection of proceeds is considered reasonably assured. With respect to construction contracts and certain engineering

services contracts, revenue is recognized on the percentage-of-completion basis. In addition to this general policy, the following paragraphs describe the specific revenue recognition policies for each major category of revenue.

Construction Contracts - Structural Products

Revenue from construction contracts is recognized on the percentage-of-completion basis. The percentage-of-completion is determined by actual engineering drawings completed, fabricated panels, joists and trusses manufactured, and installation completion estimates based on panels, joists and trusses installed. Amounts earned but unbilled are recorded as construction contracts in progress. Revisions in costs and earnings or loss estimates during the course of the contract are reflected during the period in which the changes in estimates become known. Losses on contracts are recognized in the period in which such losses are known.

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), 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 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.

The Company's revenues under its license arrangements are recognized as follows:

(a) Software, technology and equipment

Revenue is recognized under a particular arrangement when all of 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. Value is based on the prices when equipment is sold separately.

(c) 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.

(d) Royalty Income

Income from royalties is recognized in the period earned.

Fees and advances received from customers that do not qualify for revenue recognition are recorded as deferred revenue. The residual method is used to allocate revenue to the delivered component of the arrangement based on the fair value of undelivered elements.

Asset Impairments

The Company performs an evaluation of long lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of those assets may not be recoverable. Impairment exists when the carrying amount of an asset is not recoverable based on related undiscounted future cash flows and its carrying amount exceeds its estimated fair value based on related discounted cash flows. The Company's impairment analysis will contain estimates due to the inherently speculative nature of forecasting estimated cash flows and determining the ultimate useful lives of assets. Actual results could differ, which could materially impact our impairment assessment.

Allowance for Doubtful Accounts

The Company evaluates the collectibility 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 management reasonably believes will be collected.

For all other customers, the Company recognizes allowances for doubtful accounts based on the length of time the receivables are past due, geographic markets, the current business environment, and historical experiences with respect to specific customers.

Stock-Based Compensation

The Company records a compensation expense for stock options granted to employees on or after January 1, 2003. Compensation expense for stock options granted to employees is measured at the fair value at the grant date using the minimum value method for options granted before the initial filing of the prospectus and the Black-Scholes pricing model using a volatility assumption for options granted after the initial filing of the prospectus. The fair value is charged to operations over the vesting period of the options granted, with a corresponding credit to contributed surplus. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term of the options, the expected volatility of the Company's stock, and expected dividends. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted.

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 bases 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. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized. Refer to Note 16 of the December 31, 2008 annual audited consolidated financial statements, which describes the nature of the assets and valuation allowance.

Adoption of Recent Canadian Accounting Pronouncements in 2008

Changes in Accounting Policies

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") accounting standards Section 3862, *Financial Instruments – Disclosure*, Section 3863, *Financial Instruments – Presentation*, Section 1535, *Capital Disclosures*, and Section 1506, *Accounting Changes*. The adoption of the new standards resulted in additional disclosures with regard to financial instruments, capital and inventory. The adoption of the new standards had no impact on the classification and valuation of the Company's financial statements.

Inventory

The CICA issued a new accounting standard, Section 3031, *Inventories*, which requires inventory to be measured at the lower of cost and net realizable value. This standard provides guidance on the types of costs that can be capitalized and requires reversal of previous inventory write-downs if economic circumstances have

changed to support the higher inventory values. The Company has adopted this standard beginning January 1, 2008, and the adoption of the new requirements of this standard had no impact on the current financial statements.

General Standards of Financial Statement Presentation

The CICA amended Section 1400, *General Standards of Financial Statement Presentation*, to include requirements to assess and disclose an entity's ability to continue as a going concern. These amendments require management to disclose any uncertainties that might cast significant doubt upon an entity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management must take into account all available information about the future, which is at least but not limited to twelve months from the balance sheet date. The Company has adopted the amendments to this standard beginning January 1, 2008, and has concluded that it will be able to continue as a going concern with no additional disclosures required based on the realization of current assumptions in the challenging economic environment.

Future Accounting Changes

Goodwill, Intangible Assets and Financial Statement Concepts

The 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 are effective for the Company beginning January 1, 2009. The adoption of the new standards is not expected to have a material impact on the Company's consolidated financial statements.

Related Party Transactions

Lease

Muzzo Brothers Group Inc., an affiliate of a beneficial shareholder of the Company, Zuzum Acquisition Inc., 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 commencing on January 31, 2007, and expires on December 31, 2016, renewable for a further 10 years with prior written notice. Annual base rent is \$727,000. The Company is also liable for additional rent for operating costs, utilities and taxes.

Commercial Contract

Zuzum Acquisition Inc., a beneficial shareholder of the Company, is an affiliate of Muzzo Brothers Group Inc., which is a contract customer of the Company with regular credit terms. Revenues earned during the fourth quarter of 2008 were \$182,000, and \$393,000 for the same period a year ago. Revenues earned during the year ended December 31, 2008 were \$332,000, and \$2,134,000 for the same period in 2007. The amount included in accounts receivable as at December 31, 2008 was \$241,000, and \$363,000 as at December 31, 2007

Off-Balance Sheet Arrangements

The Company does not have any "off-balance sheet" arrangements as of December 31, 2008.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standard Board ("AcSB") has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including Genesis Worldwide Inc., effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report comparative interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011.

The Company is assessing the implementation impacts of conversion to IFRS including transitional options, changes to accounting policies and processes, information systems, and business management. The full impact of adopting IFRS on the Company's future financial position and results has not been determined at this time.

Share Capital

As at the date of this MD&A there were –

- 30,982,858 common shares issued and outstanding;
- 835,712 purchase warrants outstanding, which entitle the holder to acquire 835,712 common shares of the Company;
- 2,124,424 common share options are outstanding under the Company's stock option plan to purchase common shares of the Company (Refer to Note 11 of the December 31, 2008 annual audited consolidated financial statements).

Risk Factors

Many factors could cause the actual results of the Company to differ materially from the results, performance, achievements or developments expressed or implied by forward-looking statements. Each of these factors is listed in the "Risk Factors" section contained in the Company's Annual Information Form ("AIF").

Controls and Procedures

As required by Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* issued by the Canadian Securities Administrators, the Company's President and Chief Executive Officer, and Chief Financial Officer have made certain certifications related to the information in the Company's annual filings (as defined by Multilateral Instrument 52-109) with the provincial securities regulators.

Evaluation of Disclosure Controls and Procedures

As part of the Form 52-109 certification, the President and Chief Executive Officer, and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that material information with respect to the Company, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required by the Company in the reports that it files or submits to the provincial securities regulators is recorded, processed, summarized and reported, within the time periods required. The Company has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and companies of similar size and senior management and review and oversight practices.

The Company's President and Chief Executive Officer, and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109), have concluded that, as of December 31, 2008, the Company's disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

As part of the Form 52-109 certification, the President and Chief Executive Officer, and Chief Financial Officer must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused such internal control over financial reporting to be designed under their supervision). The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions with respect to the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with the authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of

unauthorized acquisition, use or disposition of assets that could have a material effect on the Company's financial statements.

The Company's President and Chief Executive Officer, and Chief Financial Officer have concluded that, as at December 31, 2008, the Company has designed such internal control over financial reporting (as defined in Multilateral Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company is satisfied with the design effectiveness of its internal controls over financial reporting.

Management identified the following deficiencies in its control environment based on the criteria established in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework.

Segregation of duties is a basic, key internal control and one of the most difficult to achieve relative to the limited resources for companies the size of or at the stage of development such as Genesis. This control is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business.

Due to limited resources and number of staff, it is not feasible to achieve complete segregation of duties among its staff. This creates a risk that inaccurate recording of amounts could be made and not corrected on a timely basis. The result is that the Company is highly reliant on the performance of mitigating procedures and management oversight during its financial close process in order to ensure the financial statements present fairly in all material respects.

Further, due to limited resources and number of staff in common with companies this size, the Company does not have the optimum complement of personnel with all of the technical accounting and tax knowledge to address all complex and non-routine transactions that may arise, necessitating the hiring of external accounting firms and consultants to assist in advising on the completion of such transactions. The Company will complete the formalization of its documentation in 2009.

Management reviews the assignment of responsibilities on an ongoing basis. However, the hiring of additional accounting resources is required at the present time. Management will continue to monitor the existing mitigating controls and implement changes where appropriate and feasible. Management plans to supplement the existing financial resources.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of internal controls and procedures is based, in part, upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Selected Consolidated Quarterly Financial Information

The following tables provide an analysis of the Company's unaudited operating results for each of the quarters ended on the date indicated.

	Fiscal 2008			
	(in thousands of dollars, except per share data)			
	Three Months Ended			
	December 31,	September 30,	June 30,	March 31,
	2008	2008	2008	2008
Revenues	\$ 4,452	\$ 5,302	\$ 3,826	\$ 7,682
Direct cost of revenues	3,208	3,634	2,658	5,400
Operating expenses	2,574	3,144	3,214	3,186
Net income (loss)	(1,693)	(1,907)	(2,389)	(1,241)
Basic and diluted loss per share	(\$0.05)	(0.06)	(0.08)	(0.04)
Total assets	\$ 17,339	\$ 17,842	\$ 21,910	\$ 21,456

	Fiscal 2007			
	(in thousands of dollars, except per share data)			
	Three Months Ended			
	December 31,	September 30,	June 30,	March 31,
	2007	2007	2007	2007
Revenues	\$ 8,398	\$ 7,038	\$ 5,018	\$ 3,989
Direct cost of revenues	5,481	4,551	3,520	2,615
Operating expenses	2,491	3,360	3,225	3,473
Net income (loss)	191	(873)	(1,727)	(2,099)
Basic and diluted earnings (loss) per share	0.01	(0.03)	(0.08)	(0.10)
Total assets	\$ 24,743	\$ 25,785	\$ 15,995	\$ 15,320