Consolidated financial statements of

Iplayco Corporation Ltd.

September 30, 2007

(Amended Feb 19, 2008)

Iplayco Corporation Ltd.

Table of contents

Auditors' Report 1

Consolidated balance sheets 2

Consolidated statements of income, comprehensive income and retained earnings 3

Consolidated statements of cash flows 4

Notes to consolidated financial statements.. 5-15

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Auditors' Report

The Shareholders,
Iplayco Corporation Ltd.

We have audited the consolidated balance sheets of Iplayco Corporation Ltd. as at September 30, 2007 and 2006, and the consolidated statements of income, comprehensive income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Deloitte & Touche LLP"

Chartered Accountants
December 20, 2007

Iplayco Corporation Ltd. (Amended Feb19, 2008)

Consolidated balance sheets
September 30

		2007		2006
Assets				
Current				
Cash	**$**	**780,288**	$	1,075,270
Term deposits		**750,833**		-
Accounts receivable		**812,742**		938,316
Inventory (Note 4)		**1,121,309**		1,085,149
Income taxes receivable (Note 10)		**-**		10,000
Prepaid expenses		**39,292**		56,518
		3,504,464		3,165,253
Property, plant and equipment (Note 5)		**380,812**		319,733
Future income taxes (Note 10)		**73,912**		90,889
	$	**3,959,188**	$	3,575,875
Liabilities				
Current				
Accounts payable	**$**	**724,206**	$	817,765
Income taxes payable		**304,644**		-
Customer deposits		**206,283**		659,663
Current portion of capital lease obligations (Not		**35,429**		20,333
		1,270,562		1,497,761
Capital lease obligations (Note 6)		**42,363**		24,915
		1,312,925		1,522,676
Commitments (Note 9)				
Shareholders' equity				
Capital stock (Note 8)		**1,581,475**		1,581,475
Contributed surplus		**67,585**		67,585
Retained earnings		**997,203**		404,139
		2,646,263		2,053,199
	$	**3,959,188**	$	3,575,875

Approved by the Directors

Franco Aquila

Scott Forbes

Iplayco Corporation Ltd. (Amended Feb 19, 2008)

Consolidated statements of income comprehensive income and retained earnings
Years ended September 30

	2007	2006
Sales	**$ 10,692,128**	$ 10,400,546
Cost of sales	**6,405,019**	7,366,536
Gross profit	**4,287,109**	3,034,010
Expenses		
Accounting and legal	**113,405**	122,626
Advertising and promotion	**349,184**	449,924
Amortization	**96,069**	68,954
Bad debts	**136,081**	16,975
Bank charges and interest	**30,147**	32,887
Foreign exchange loss		
Realized	**136,087**	26,513
Unrealized	**141,896**	-
Insurance	**206,099**	297,988
Office	**74,708**	93,947
Rent	**309,423**	295,789
Repairs and maintenance	**109,105**	108,704
Salaries, commissions, and benefits	**1,614,176**	1,351,235
Utilities	**56,044**	70,085
	3,372,424	2,935,627
Income before income taxes	**914,685**	98,383
Income taxes (recovery) (Note 10)		
Current	**304,644**	(10,000)
Future	**16,977**	(90,889)
	321,621	(100,889)
Net income and comprehensive income for the year	**593,064**	199,272
Retained earnings at beginning of the year	**404,139**	204,867
Retained earnings at end of the year	**$ 997,203**	$ 404,139
Earnings per share		
Basic	**$ 0.06**	$ 0.02
Diluted	**$ 0.06**	$ 0.02
Weighted average number of common shares		
Basic	**9,686,687**	9,686,687
Diluted	**9,720,010**	9,686,687

Iplayco Corporation Ltd. (Amended Feb 19, 2008)

Consolidated statements of cash flows

Years ended September 30

	2007	2006
Operating activities		
Net income for the year	**$ 593,064**	$ 199,272
Items not involving cash		
Amortization	**96,069**	68,954
Future income taxes	**16,977**	(90,889)
Unrealized foreign exchange loss	**141,896**	-
	848,006	177,337
Change in non-cash operating working capital		
Accounts receivable	**95,640**	829,224
Inventory	**(36,160)**	(1,268)
Prepaid expenses	**17,226**	(25,729)
Accounts payable	**(93,559)**	(356,597)
Customer deposits	**(453,380)**	196,977
Income taxes	**314,644**	(154,361)
	(155,589)	488,246
	692,417	665,583
Investing activities		
Purchase of term deposits	**(862,795)**	-
Purchase of property, plant and equipment (Note 5)	**(97,370)**	(87,421)
	(960,165)	(87,421)
Financing activity		
Repayment of capital lease obligations	**(27,234)**	(21,659)
Change in cash during the year	**(294,982)**	556,503
Cash at beginning of the year	**1,075,270**	518,767
Cash at end of the year	**$ 780,288**	$ 1,075,270
Supplemental information		
Income taxes (received) paid	**$ (10,000)**	$ 144,361
Interest paid	**$ 30,147**	$ 32,887

1. Business operations

The Company is incorporated under the Alberta Business Corporations Act. The Company's business is carried out through its wholly owned subsidiaries, International Play Company Inc. (IPC) and Outdoor Play Company Inc. (OPC). IPC and OPC are a major worldwide supplier of custom designed children's indoor and outdoor play structures. Both IPC and OPC conduct their design, manufacturing and marketing activities at the Company's head office located in Langley, British Columbia.

2. Change in accounting policies

Financial instruments

Effective October 1, 2006, the Company adopted the following recommendations of the CICA Handbook:

a) Section 3855, *Financial Instruments – Recognition and Measurement.* This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

b) Section 1530, *Comprehensive Income*. This Section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in Shareholders' equity, which results from transactions and other events and circumstances from non-shareholder sources. These transactions and events include unrealized gains and losses resulting from changes in fair value of investments classified as available-for-sale and from foreign currency translation of self-sustaining foreign subsidiaries.

c) Section 3861, *Financial instruments – Disclosure and Presentation*. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

d) Section 3251, *Equity.* This Section establishes standards for the presentation of equity and changes in equity during the reporting period.

The adoption of these standards did not have a significant effect on the Company's consolidated financial statements.

Transaction costs

Transaction costs will be capitalized to the cost of financial assets and liabilities classified as other than held for trading. The adoption of this standard had no effect on the Company's consolidated financial statements.

3. Significant accounting policies

Principles of consolidation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and it's wholly-owned subsidiaries, International Play Company Inc. and Outdoor Play Company Inc. Intercompany balances and transactions have been eliminated on consolidation.

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 certain reported amounts and disclosures. Estimates are used for, but are not limited to, the accounting for doubtful accounts, inventory obsolescence, amortization and income taxes. Actual results could differ from those estimates.

Inventory

Raw materials are valued at the lower of cost and replacement cost. Cost is determined on a weighted average basis. Work in process is valued at the lower of cost and net realizable value. The cost of work in process includes the cost of raw material, direct labour and an allocation of related overheads.

Foreign currency translation

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the average rates for the year except for amortization that is translated at historical rates. Translation gains or losses are included in earnings.

Property, plant, and equipment and amortization

Property, plant and equipment are recorded at cost. Amortization is calculated using the following methods and annual rates:

Automotive	30% declining balance
Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Machinery and equipment	20% declining balance
Moulds	30% declining balance
Leasehold improvements	12 years straight-line

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

3. Significant accounting policies (continued)

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. They are measured using enacted and substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The net change in recorded future income tax assets and liabilities is recognized in income in the period in which the change occurs including any change in applicable future tax rates.

Revenue recognition

The Company recognizes revenue from contracts when persuasive evidence of an arrangement exists, the product is shipped to the customer, there is no uncertainty around acceptance, and collection is probable. Amounts received from customers prior to revenue recognition are recorded as customer deposits.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

<u>Classification</u>

Cash	Held for trading
Term deposits	Held for trading
Accounts receivable	Loans and receivables
Accounts payable	Other liabilities
Capital lease obligations	Other liabilities

<u>Held for trading</u>

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

<u>Loans and receivables</u>

Loans and receivables are accounted for at amortized cost using the effective interest method.

3. Significant accounting policies (continued)

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction Costs

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees and premiums or discounts earned or incurred for financial instruments.

Stock based compensation

The Company uses the fair value method to account for stock based compensation and other stock based payments. This method consists of expensing the fair value of stock based awards over the vesting period of the options granted. Upon exercise of the stock options, consideration received together with amounts previously recognized in contributed surplus is recorded as an increase in share capital.

Earnings per common share

Basic earnings per share is computed by dividing the net income available to common shareholders by the weighted average number of common shares outstanding for that period. The Company uses the treasury stock method in calculating diluted earnings per share.

The computation of diluted earnings per share for 2007 includes the incremental shares from 80,000 stock options with an exercise price of $0.15 per share.

The computation of diluted earnings per share for 2007 and 2006 excluded 455,000 options because their exercise price was greater than the average market price of the underlying common shares, and so their effect would be anti-dilutive.

4. Inventory

	2007	2006
Raw materials	**$ 1,012,408**	$ 908,208
Work in progress	**108,901**	176,941
	$ 1,121,309	$ 1,085,149

5. Property, plant and equipment

			2007
	Cost	Accumulated amortization	Net book value
Automotive	**$ 43,870**	**$ 24,255**	**$ 19,615**
Computer equipment	**191,495**	**92,542**	**98,953**
Furniture and fixtures	**53,523**	**32,332**	**21,191**
Machinery and equipment	**170,081**	**85,265**	**84,816**
Moulds	**127,468**	**50,540**	**76,928**
Leasehold improvements	**139,745**	**60,436**	**79,309**
	$ 726,182	**$ 345,370**	**$ 380,812**

During the year ended September 30, 2007 the company acquired property, plant and equipment totalling $157,150, $59,780 by means of capital leases and $97,370 by means of cash. Included in property, plant and equipment at September 30, 2007 are assets under capital leases with a cost of $140,532 and a net book value of $96,628.

			2006
	Cost	Accumulated amortization	Net book value
Automotive	$ 43,870	$ 15,848	$ 28,022
Computer equipment	117,380	57,849	59,531
Furniture and fixtures	53,344	27,038	26,306
Machinery and equipment	166,839	64,467	102,372
Moulds	47,855	35,261	12,594
Leasehold improvements	139,745	48,837	90,908
	$ 569,033	$ 249,300	$ 319,733

Included in property, plant and equipment at September 30, 2006 are assets under capital leases with a cost of $80,271 and a net book value of $57,035.

6. Capital lease obligations

The Company leases various delivery vehicles and office equipment under capital leases. The future minimum payments under these leases are as follows:

		2007
2008	$	41,266
2009		20,837
2010		17,777
2011		8,477
		88,357
Less amount representing interest at 10.67%		(10,565)
		77,792
Less current portion		(35,429)
	$	42,363

		2006
2007	$	25,935
2008		25,935
2009		3,231
		55,101
Less amount representing interest at 11.67%		(9,853)
		45,248
Less current portion		(20,333)
	$	24,915

7. Operating loan

The Company has an operating loan facility with HSBC Bank Canada to a maximum of $500,000 bearing interest at prime plus 1.25%. No amounts were drawn on this facility at September 30, 2007 or 2006.

The operating line is secured by a general security agreement representing a first charge on equipment and inventory, and assignment of life insurance over certain directors in the amount $500,000.

Subsequent to the 2007 year end the Company cancelled the operating loan facility with HSBC Bank Canada and entered into a new operating loan facility with the Royal Bank of Canada. The new facility has a limit of $500,000 and bears interest at prime plus 0.5%.

8. Capital stock

Authorized and issued

A summary of the issued and outstanding shares of the Company follows:

		Number of shares	Amount
Authorized			
Unlimited	Common shares, without par value		
Unlimited	Preferred shares, without par value		
Issued, common shares			
Balance, September 30, 2006 and 2007		**9,686,687**	**$ 1,581,475**

Stock options and warrants

The Company has an incentive stock option plan (the “Option Plan”). Under the terms of this Option Plan the Board of Directors may grant incentive stock options to directors and employees of the Company and the exercise price is generally determined by reference to the market price of the Company’s stock. Vesting and expiry of options may vary at the discretion of the committee, subject to the rules of the stock exchange. The total number of shares issuable pursuant to the Option Plan cannot exceed 10% of the issued and outstanding shares. As at September 30, 2007, the maximum number of options available to be granted under the Option Plan is 968,669 (2006 – 968,669).

A summary of stock option and warrant activity follows:

	Stock options and warrants		
	Number	Weighted average Price	Warrants
Outstanding at September 30, 2005	711,500	$ 0.40	41,272
Expired, unexercised	(256,500)	$ 0.40	(41,272)
Outstanding at September 30, 2006	455,000	$ 0.40	-
Granted	80,000	$ 0.15	
Outstanding at September 30, 2007	**535,000**	**$ 0.40**	**-**

8. Capital stock (continued)

The following table summarizes information about director and employee stock options outstanding at September 30, 2007 and September 30, 2006:

		Options Outstanding			Options Exercisable	
Year	Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
2007	**$ 0.40**	**535,000**	**1.1 Years**	**$ 0.40**	**535,000**	**$ 0.40**
2006	$ 0.40	455,000	2.1 Years	$ 0.40	455,000	$ 0.40

The Company uses the fair value method to account for stock options and warrants granted to employees and consultants. During the year ended September 30, 2007 there were 80,000 stock options granted. The fair value of these options were determined to be insignificant and as a result no compensation expense has been recorded. The fair value was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.07%
Expected volatility	57.18%
Expected average life of options	1 year
Expected dividend yield	0%

Subsequent to year end, 80,000 options were exercised for proceeds of $12,000.

Escrowed shares

During the year ended September 30, 2007 927,455 (2006 - 883,090) shares were released from escrow. At September 30, 2007 1,943,629 (2006 – 2,871,084) common shares are held in escrow. The release of the escrowed shares is governed by the underlying escrow and pooling agreements, and are eligible for release in the fiscal years ended as follows:

2008	777,452
2009	777,452
2010	388,725
	1,943,629

9. Commitments

The Company leases premises and certain equipment under long-term operating lease agreements that expire at various dates. Future minimum lease payments over the next five years, including estimated occupancy costs, are as follows:

2008	$	379,549
2009		366,911
2010		356,955
2011		82,448
2012		26,346
	$	1,212,209

10. Income taxes

The approximate tax effect of temporary differences and tax loss carryforwards that give rise to the Company's future income tax assets are as follows:

		2007		2006
Future income tax assets				
Tax loss carryforwards	**$**	**1,125**	$	2,258
Timing difference on expenses		**60,216**		46,168
Share issue expenses		**22,953**		46,087
		84,294		94,513
Future income tax liability				
Capital assets		**(10,382)**		(3,624)
	$	**73,912**	$	90,889

The future benefit of these temporary differences and tax loss carry forwards has been recognized in the financial statements as at September 30, 2007, as it is more likely than not they will be utilized.

10. Income taxes (continued)

The reported income tax provision differs from the amounts computed by applying the Canadian basic statutory rate to the income before income taxes. The reasons for this difference and the related tax effects are as follows:

		2007		2006
Canadian basic statutory rate		**34.12%**		34.12%
Expected income tax expense	**$**	**312,091**	$	33,569
Adjustment to valuation allowance		**-**		(139,774)
Non-deductible expenses		**9,530**		5,316
	$	**321,621**	$	(100,889)

11. Financial instruments

The carrying values of cash, term deposits, accounts receivable, and accounts payable approximate their fair market values due to their short-term maturity. Capital lease obligations bear interest at current rates and as a result its carrying value approximates its fair value.

Accounts receivable with two specific customers represent approximately 25% of the balance of accounts receivable as at September 30, 2007 (September 30, 2006 – three customers represented approximately 56% of accounts receivable). It is the opinion of management that these accounts do not represent a significant credit risk.

The Company has significant sales denominated in U.S. currency and is therefore exposed to financial risk resulting from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not utilize derivative instruments to reduce its exposure to rate changes.

12. Segmented information and concentration of sales

The Company operates in one business segment and all of the Company's assets are located in Canada. During the year ending September 30, 2007, one customer accounted for approximately $1,450,000 of the Company's total revenues. During the year ended September 30, 2006, no single customer accounted for more than 10% of the Company's total revenues.

The Company attributes revenue amounts to geographical areas based on where the customer is located. Information related to geographical areas is as follows:

	2007	2006
Revenues		
North America	**$ 7,542,087**	$ 5,807,554
Europe	**635,526**	3,422,225
Middle East	**1,511,987**	441,680
Asia Pacific	**222,154**	109,489
Latin America	**681,478**	619,598
Africa	**98,896**	-
	$ 10,692,128	$ 10,400,546

13. Subsequent event

On October 5, 2007 521,500 stock options were granted to consultants, directors, and employees with an exercise price of $0.225 and an expiry date of October 5, 2008.

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FORM 5l-l02Fl

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEAR ENDING September 30, 2007

IPLAYCO CORPORATION LTD.

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The following discussion and analysis of the financial position of Iplayco Corporation Ltd. ("Iplayco" or the "Company") and results of operations of the Company for the year ended September 30, 2007 is the responsibility of management. The Board of Directors carries out its responsibility for review of the disclosure principally through its Audit Committee, which is comprised primarily of independent directors. The Audit Committee reviews this disclosure and recommends its approval by the Board of Directors. The MD&A dated January 2, 2008 is prepared in conformity with National Instrument 51-102F1 and has subsequently been approved by the Board of Directors.

The accompanying audited financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles. These statements, together with the following management's discussion and analysis dated January 2, 2008 are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in the MD&A may contain forward-looking statements. These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

The following is a discussion of the consolidated financial condition and results of operations of Iplayco Corporation Ltd. (the "Company"). The analytical comments are current as of January 2, 2008, and should be read in conjunction with the Company's audited consolidated financial statements. Additional information regarding the Company can be found on SEDAR at www.sedar.com. All amounts are stated in CDN dollars.

Forward – Looking Statements

The Company's Annual Report, which includes this analysis, contains certain forward-looking statements which reflect the Company's current assessment of future events, business outlook, and expected financial performance. Such statements are subject to assumptions which may be incorrect, and to uncertainties and risks which are difficult to forecast. The future events and financial performance may differ materially from those predicted in these statements.

RESULTS OF OPERATIONS

Fiscal years ended September 30, 2007 and 2006

Revenue

Iplayco's revenue is derived from the sales of its wholly owned operating subsidiaries International Play Company Inc. ("IPC") and Outdoor Play Company Inc. ("OPC").

IPC and OPC design, manufacture, and market children's modular playground equipment from the Company's factory and head office in Langley, British Columbia. The size and complexity of the play structures dictates the time required to manufacture, ship, and install individual playgrounds; diverse factors such as of customer locations, capital budgets, exotic theme requirements, may cause project completion timelines to vary from a few weeks to several months. The Company's products are sold and installed on a world wide basis; typical markets include family entertainment centers, theme parks, malls, day care centers, fitness clubs, and playground facilities sponsored by municipalities and various non profit organizations.

Sales for the year ended September 30, 2007 were $10,692,128, an increase of $291,582 or 3% over the prior year.

The increase was attributable primarily to higher North American sales of $7,542,087 during 2007 which increased by $1,734,533 over the prior year as market growth continued.
Over the past several years, there has been an increasing customer demand for significantly larger, more complex and more costly structures; this trend towards more costly individual structures, together with strengthened agent and customer relationships resulted in higher Middle East sales of $1,511,987 during 2007 (up $1,070,307 over 2006), and higher European sales in 2006 of $3,422,225 (up $2,938,551 over 2005).

Sales of $98,893 shipped to Africa during 2007, represent the Company's first break through into that market.

Gross Profit

Gross profit during the year increased to $4,287,109 from $3,034,010 last year. Gross profits during 2007 were 40% of sales, as compared with 29% in 2006. The higher gross profit as a percentage of sales was due to a decrease of $961,517 or 13% in cost of sales. The improvement in cost of sales reflected several major factors.
Over the past two years, the Company has worked at developing more seasoned, well trained production personnel; a maturing and experienced production work force, combined with enhanced production methods resulted productivity improvements during 2007. In addition, there has been an increasing customer demand for the integration of themed environments into the play structures (I.e. utilizing cartoon characters, space ships, pirates, etc). The custom designed theme elements in the structures, because of their unique, one of a kind characteristic, are significantly more profitable and less subject to competitive pricing, than the more traditional non themed structures.

Operating Expenses

Year end operating costs of $3,363,183 were $427,556 (15%) higher than the prior year, due primarily to higher costs for salaries and benefits (higher by $253,699), and higher losses on foreign exchange (up by $251,470). Salaries and benefits include payroll and benefit costs for management, administrative and sales staff, and commissions. A substantial portion of the Company's sales are settled in US dollars; the continuing strength of the Canadian dollar versus the US dollar has been the main cause of the increased foreign exchange losses.

Bad debt expense increased by $119,106 to $136,081 during 2007, primarily as the result of a customer in the United Kingdom having filed for bankruptcy.

Insurance expense of $206,099 for the year ended September 30, 2007 include the premium costs for product liability, property loss, directors and officers' liability coverage, and key man insurance. The major portion of insurance costs results from product liability premiums because of the volume of the Company's sales into the US and the generally litigious nature of doing business in the US. Insurance expense for the comparable period in the preceding year was higher because of the cost of settling an injury claim with a US customer.

Income before Income Taxes

Income on operations before taxes for the year ended September 30, 2007 of $914,685 increased by $825,543 over the profit on operations from last year. The improvement in operating results for the year are due to improvements in the Company's gross profit on sales, resulting from more favorable product mix and continuing factory productivity improvements.

Income Taxes

The income statement provided for a $304,644 current and $16,977 future income tax expense.

Net Income

Net income for the year was $593,064 ($0.06 earnings per share), as compared to $199,272 ($0.02 earnings per share) last year.

The following tables reflect the financial highlights for the Company for the past three fiscal periods and the last eight quarterly periods:

Selected Annual information

($000 except earnings per share data)

	Fiscal Years Ended September 30					
	2007		2006		2005	
Sales	**$**	**10,692**	$	10,401	$	8,946
Net Income	**$**	**593**	$	199	$	348
Earnings per share - basic and diluted		**0.06**		0.02		0.04
Total Assets	**$**	**3,948**	$	3,576	$	3,702
Total Long term liabilities	**$**	**42**	$	25	$	45

Changes from fiscal 2006 to 2007 are discussed under the preceding "Results of Operations" section.

Comparing 2006 to 2005, the sales growth constituted a continuation of the Company's volume growth. The increase was attributable primarily to higher European sales, up $2,938,551 over $483,674 in 2005. The higher revenue in Europe sales, which more than offset declines in other geographic regions, resulted from several large sales in the UK and Sweden. Gross profits increased to $3,034,010 in 2006 from $2,815,761 in 2005; as a percentage of sales decreased to 29% of sales in 2006 as compared with 31% of sales in 2005. Operating expenses also increased by $612,323 (26%) over the comparable period in 2005 to $2,935,627. The increase in operating expenses was due largely to higher costs for accounting and legal services, advertising and promotion, insurance, rent, and salaries and benefits. Net income before income taxes for fiscal 2006 was $98,383 as compared with $492,457 for 2005. The 2006 net income recorded of $199,272 reflected a $10,000 current tax expense and $90,889 future income tax recovery.

Summary of Quarterly Results
($000 except earnings per share)

	30-Sep 2007	June 30 2007	Mar 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	Mar 31 2006	Dec 31 2005
Sales	$ 2,306	$ 2,897	$ 3,131	$ 2,358	$ 3,007	$ 2,160	$ 2,129	$ 3,103
Net income (loss)	$ (43)	$ 331	$ 214	$ 91	$ 347	$ (1)	$ (168)	$ 19
Earnings (loss) per share								
Basic	$ -	$ 0.03	$ 0.02	$ 0.01	$ 0.03	$ -	$ (0.02)	$ 0.00
Diluted	$ -	$ 0.03	$ 0.02	$ 0.01	$ 0.03	$ -	$ (0.02)	$ 0.00

Fourth Quarter Ended September 30, 2007 Compared to the Previous Year

Total sales of 2,306,373 during the three month period ended September 30, 2007 were mainly shipments to the U.S. ($1,726,079 or 75%) as compared to $3,007,637 for the same three month period during 2006.

The Company incurred a loss of $43,000 during the fourth quarter of 2007, a decrease in net income of $375,085 from the previous year. The 2007 fourth quarter loss was caused mainly by the reduced sales level, and increased operating costs due largely to higher salaries, foreign exchange losses, and increased bad debt expenses.

The 2007 fourth quarter foreign exchange losses resulted mainly from recognition in the Company’s accounts, of an unrealized loss on conversion of US cash and term deposits held on deposit at September 30, 2007. Subsequent to the fiscal 2007 year end most of the US cash has been converted to Canadian dollars, and the Company has expanded its foreign exchange risk management policies; current practices include hedging and forward contracts, and advisory services from an independent firm of foreign exchange risk management consultants.

Bad debt expense increased because a single customer in the United Kingdom filed for bankruptcy during the fourth quarter of 2007.

Third Quarter Ended June 30, 2007 Compared to the Previous Year

For the three month period ended June 30, 2007 total sales of $2,896,885 increased by 34% in comparison to $2,160,419 for the same three month period in 2006. Increased sales into North America offset declines in the other geographic areas. The higher gross profit was partially offset by increased expenses.

Total operating expenses of $934,238 for the three months ending June 30, 2007 increased by $124,837 (15%) over the comparable period in 2006. The increased costs during the three months period ended June 30, 2007 were principally due to foreign exchange losses.

The income for the third quarter of 2007 was $330,987, an increase of $332,356 from the same period in 2006. The gain was mainly as result of increased sales.

Second Quarter Ended March 31, 2007 Compared to the Previous Year

Sales for three months ended March 31, 2007 were $3,130,872, an increase of $1,001,609 (47%) over the prior year, due to higher sales in the Mid East.
Net income for the three months ended March 31, 2007 was $213,845 after a provision for income taxes of $110,180, as compared with a loss of $167,987 after a provision for income tax recovery of $80,125, for the comparable period in 2006. The improvement in operating results during 2007 was attributable to higher gross profits, due to the effects of aggressive marketing by the Company's sales group, and continuing improvements in factory and site installation productivity.

First Quarter Ended December 31, 2006 Compared to the Previous Year

Sales for three months ended December 31, 2006 were $2,357,988, down 24% from $3,103,227 in 2005. The decrease was attributable primarily to lower European sales, (down $964,770 from the prior year), partially offset by stronger sales in North America (up by $273,501), and by the Company's first project sale in India ($143,791). Gross profit during the three months ended end December 31, 2006 declined from the comparable period in 2005, because of the lower volume of shipment. The volume decrease was offset by improved gross profits; the improvement in the profitability of sales reflected more aggressive sales pricing, productivity improvements, and more a favorable sales mix. A greater proportion of the total sales for the first quarter, were represented by larger individual orders; larger projects generally provide an opportunity to earn higher margins and are more profitable to the Company. Total operating expenses of $647,582 during the three months ended end December 31, 2006 declined by $145,961 (18%) from the comparable period in 2005, due mainly to lower costs of insurance, salaries and benefits, and the effects of more favorable foreign exchange. The insurance expense in 2005 was higher than 2006, because it included the settlement cost of an action for a US customer's injury claim.
Salaries and benefit costs for during the three months ended end December 31, 2006 were lower mainly because of discretionary staff bonuses paid in 2005.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

Cash provided by operating activities totaled $692,417 compared to $665,583 last year. The change was attributable mainly to an increase in net income, offset by a decrease of customer deposits and an increase in income taxes payable compared to last year.

As a normal course of business, IPC and OPC collect advance payments when sales contracts are entered into; upon factory completion of equipment fabrication and shipment, the amounts of the sales contracts are invoiced and recognized as revenue, and the advance payments are applied to the sales as collections on account. The balance of advance payments received from customers which have not been applied to accounts receivable, are described as "Customer deposits" on the balance sheet. It has generally been the Company's experience that deposits from customers are not refunded, but are applied against amounts receivable on realized sales.

The cash advances and payments from customers, together with credit from suppliers and investments from shareholders, have historically provided the required working capital for day to day operations. During 2006, the Company negotiated an operating line of credit with HSBC Bank Canada to a maximum $500,000 to facilitate dealing with short term financing issues; Subsequent to the September 30, 2007 fiscal year end, the Company negotiated a more cost effective operating line with the Royal Bank, and consequently cancelled the HSBC borrowing facility: as at this report date the Company has not found it necessary to utilize either the HSBC or Royal Bank lines of credit..

Management expects to meet its operating cash requirements through fiscal 2008, from cash on hand, cash flow from operations and its committed borrowing capacity.

Foreign Currency Translation

The Company's activities are primarily conducted in international markets and consequently its financial results and competitiveness are subject to the effects of swings in foreign currency exchange rates. A large portion of the Company's expenses are incurred in Canadian dollars whereas a substantial percentage its sales are denominated in U.S.dollars, and converted to Canadian dollars for financial statement reporting. As a consequence, operating results are subject to the effects of foreign exchange gains and losses arising from the movement of the U.S. dollar in relation to the Canadian dollar.

Since the majority of IPC's projects are of relatively short duration, to the extent practicable within competitive market conditions, in the past, IPC management has relied on close monitoring of US vs. Canadian dollar movement, and aggressive pricing and conservative forecasting of the exchange rates for purposes of formulating project costs and price quotations to minimize foreign exchange losses; IPC management will continue these pricing policies.

For financial statement reporting purposes, the Company converts all non Canadian dollar monetary balances on hand at the fiscal year end at the prevailing year end exchange rates. The resulting conversion gives rise to unrealized foreign exchange gains or losses, depending on the exchange rates in effect. The volatile fluctuations in the exchange rates of Canadian/US dollar during the latter part of fiscal 2007, combined with larger than normal balance of US cash and term deposits contributed to a significant unrealized foreign exchange loss at September 30, 2007.

Subsequent to the September 30, 2007 fiscal year end, the Company engaged an independent foreign exchange risk management firm to assist in the development of additional strategies and policies to further minimize adverse exposure to foreign exchange fluctuations; as a consequence, current practices have been expanded to include the use of hedging, and refinement of monitoring and negotiation of currency spot trades. Early indications of the post year end expansion in foreign exchange practices have been encouraging, particularly with the realization of more favorable terms in spot currency trades.

Disclosure Controls and Internal Controls

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and are disclosed in public documents as required.
Management has designed, or caused to be designed under its supervision, internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the generally accepted accounting principals ("GAAP").

As at September 30, 2007, the CEO and CFO, with participation of the Company's management have concluded that the design and operation of the Company's disclosure controls and procedures and internal control over financial reporting were effective.

OUTLOOK

The majority of the Company's sales are made in foreign markets.
Despite encouraging progress in the Company's business development, factors that could have a negative impact during the coming year are an uncertain global economy, further strengthening of the Canadian dollar, and a more challenging competitive environment. These factors combined will require the Company to effectively manage operating costs while growing its overall business.

As an integral part of a commitment to continuous corporate improvement, the Company's senior management regularly participates in off - site seminars and training programs, to upgrade operational and managerial skills.

The Company will continue to focus on execution of a strategy of profitable growth. Management will concentrate on increased market focus and on differentiating the Company competitively, by meeting the unique requirements of its customers.

Management continues to be enthusiastic about the progress in introducing the installation of "Solid Works", a three dimensional modeling software program with the capacity to produce detailed fabrication instructions and materials lists for the play structures. During the Company's early development and growth manufacturing period, because of the custom manufactured nature of the play structures it had been necessary to partially pre assemble and disassemble the play structures in the factory prior to shipping and final assembly at customer sites. This practice resulted in duplication of direct labor costs. Following successful preliminary factory fabrication and on site installation testing of the program, the Company's production group has continued to integrate the software into the normal planning documentation and assembly routines with encouraging productivity improvements.

It is management's expectation, that further implementation of the new software will continue to reduce the need for factory pre assembly, and will result in increasing improvements in production efficiency.

Commitments

The Company leases premises and certain equipment under operating lease agreements that expire at various dates. Future lease payments over the next five years, including estimated occupancy costs, are as follows:

2008	$ 379,549
2009	$ 366,911
2010	$ 356,955
2011	$ 82,448
2012	$ 26,345
	$1,212,209

OFF-BALANCE SHEET ARRANGEMENTS

There are currently no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the year.

LEGAL PROCEEDINGS

There are several unsettled claims arising from injuries sustained at U.S. customer sites, for which at September 30, 2007, the Company made a possible loss provision in the accounts. The provision is not material, and is considered adequate as at the date of this report.

CONTINGENT LIABILITIES

With the exception of the unsettled injury claims, the Company is unaware of any contingent liabilities.

FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, accounts payable and capital leases payable approximate their fair market value due to their short-term maturity.

SHARE DATA

1. Summary of securities issued and options granted.

   (a) Summary of securities issued during the period: during the year ended September 30, 2007 the Company issued the following securities:

   None

   (b) Summary of options granted during the period:

   During the year ended September 30, 2007, 80,000 stock options were granted to directors to purchase common shares at $0.15 per share

2. Summary of Securities as at the end of the Reporting Period:

   (a) Authorized share capital: The Corporation is authorized to issue an unlimited number of common shares. The Corporation is authorized to issue an unlimited number of preferred shares.

   (b) Number of Shares Issued and Outstanding: 9,686,687

   (c) Summary of Options, Warrants and Securities outstanding

   As at September 30, 2007 there were 455,000 outstanding stock options, exercisable at $0.40 per share, expiring on November 28, 2008, and 80,000 outstanding stock options exercisable at $0.15 per share, expiring on October 13, 2007.

   (d) Number of shares in each class of shares subject to escrow or pooling agreements:

   The total number of securities of the Company held in escrow as at September 30, 2007 is 1,943,629 common shares, representing approximately 20 % of the class.

CHANGE IN ACCOUNTING POLICY

Financial instruments

The Company adopted the following recommendations of CICA Handbook:

a) Section 3855, *Financial Instruments – Recognition and Measurement.* This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

b) Section 1530, *Comprehensive Income*. This Section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in Shareholders' equity, which results from transactions and other events and circumstances from non-shareholder sources. These transactions and events include unrealized gains and losses resulting from changes in fair value of investments classified as available-for-sale and from foreign currency translation of self-sustaining foreign subsidiaries.

The Company has made the following classifications:

- Cash and term deposits are classified as financial assets held for trading and are measured at fair value.
- Accounts receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities are classified as other liabilities and measured at amortized cost using the effective interest method.

The adoption of these standards did not have a significant effect on the Company's consolidated financial statements.

Transaction costs

Transaction costs will be capitalized to the cost of financial assets and liabilities classified as other than held for trading. The adoption of this standard had no effect on the Company's consolidated financial statements.

LIST OF DIRECTORS AND OFFICERS

As at the date of this report, the following are the directors and officers of the Company:

Robert Adanac Chief Financial Officer
Franco Aquila Director and Chief Executive Officer
Scott C. Forbes Director and President
Terence E. Forbes Director and Executive Vice-President
Mark Neale Director
David Perkins Director
David L. Wood Director and Chairman

Approved on behalf of the Board

"Scott Forbes"
Scott Forbes, President and Director

"Franco Aquila"
Franco Aquila, CEO and Director