2010

Consolidated financial statements of

Iplayco Corporation Ltd.

As at and for the years ended September 30, 2010 and 2009

Iplayco Corporation Ltd.

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Deloitte.

Deloitte & Touche LLP
20316 - 56th Avenue
Suite 225
Langley BC V3A 3Y7
Canada

Tel: 604-534-7477
Fax: 604-534-4220
www.deloitte.ca

Auditors' Report

The Shareholders,
Iplayco Corporation Ltd.

We have audited the consolidated balance sheets of Iplayco Corporation Ltd. as at September 30, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2010 and 2009 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
November 25, 2010

Iplayco Corporation Ltd.

Consolidated balance sheets

September 30

		2010		2009
Assets				
Current				
Cash	$	**369,573**	$	420,010
Accounts receivable (Note 13)		**706,544**		760,445
Inventories (Note 4)		**974,078**		1,160,467
Prepaid expenses		**89,873**		62,324
		2,140,068		2,403,246
Property, plant, and equipment (Note 5)		**2,018,753**		2,357,092
Future income taxes (Note 12)		**179,077**		67,773
	$	**4,337,898**	$	4,828,111
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**946,546**	$	943,852
Customer deposits		**288,473**		184,140
Current portion of rent inducement (Note 11)		**22,817**		22,817
Current portion of capital lease obligations (Note 6)		**145,048**		122,077
Loan payable (Note 7)		**152,775**		319,443
		1,555,659		1,592,329
Rent inducement (Note 11)		**55,140**		77,958
Capital lease obligations (Note 6)		**198,110**		293,503
		1,808,909		1,963,790
Shareholders' equity				
Capital stock (Note 9)		**1,757,643**		1,757,643
Contributed surplus (Note 10)		**256,858**		256,858
Retained earnings		**514,488**		849,820
		2,528,989		2,864,321
	$	**4,337,898**	$	4,828,111

Commitments (Note 11)

Approved by the Directors

"David A. Perkins"

"David L. Wood"

See accompanying notes to the consolidated financial statements

Iplayco Corporation Ltd.

Consolidated statements of operations, comprehensive loss and retained earnings
September 30

	2010	2009
Sales	$ 7,941,498	$ 9,326,085
Cost of sales	4,868,435	5,313,770
Gross profit	3,073,063	4,012,315
Expenses		
Selling and administration	2,990,860	3,365,498
Depreciation	478,793	389,657
Foreign exchange loss (gain)	(5,142)	375,784
Interest expense	55,188	55,851
	3,519,699	4,186,790
Loss before income taxes	(446,636)	(174,475)
Future income tax expense (recovery) (Note 12)	(111,304)	24,516
Net loss and comprehensive loss for the year	(335,332)	(198,991)
Retained earnings at beginning of the year	849,820	1,048,811
Retained earnings at end of the year	$ 514,488	$ 849,820
Loss per share		
Basic and diluted	$ (0.03)	$ (0.02)
Weighted average number of common shares		
Basic and diluted	10,220,187	10,210,399

See accompanying notes to the consolidated financial statements

Iplayco Corporation Ltd.

Consolidated statements of cash flows
September 30

	2010	2009
Operating activities		
Net loss for the year	**$ (335,332)**	$ (198,991)
Items not involving cash		
Depreciation	**478,793**	389,657
Future income taxes	**(111,304)**	24,516
Non-hedging financial derivatives	**-**	(29,798)
Rent inducement	**(22,817)**	18,254
Stock based compensation (Note 9)	**-**	179,957
Gain on disposal of property, plant and equipment	**-**	(4,074)
Unrealized foreign exchange loss	**6,638**	13,813
	15,978	393,334
Change in non-cash operating working capital		
Accounts receivable	**47,262**	670,299
Inventories	**186,389**	210,114
Prepaid expenses	**(27,549)**	92,202
Accounts payable	**2,694**	(515,513)
Customer deposits	**104,333**	(715,408)
Income taxes	**-**	55,165
	313,129	(203,141)
	329,107	190,193
Investing activities		
Net change in term deposits	**-**	400,000
Purchase of property, plant and equipment (Note 5)	**(74,192)**	(1,169,053)
Proceeds on disposal of property, plant and equipment	**-**	12,187
	(74,192)	(756,866)
Financing activities		
Proceeds from exercise of stock options (Note 9)	**-**	85,838
Repayment of loan payable	**(166,668)**	(166,668)
Repayment of capital lease obligations	**(138,684)**	(95,515)
	(305,352)	(176,345)
Change in cash during the year	**(50,437)**	(743,018)
Cash at beginning of the year	**420,010**	1,163,028
Cash at end of the year	**$ 369,573**	$ 420,010

Supplemental cash flow information (Note 16)

See accompanying notes to the consolidated financial statements

1. Business operations

The Corporation is incorporated under the Alberta Business Corporations Act. The Corporation's business is carried out through its wholly owned subsidiaries, International Play Company Inc. ("IPC") and Outdoor Play Company Inc. ("OPC"). IPC designs and manufactures customized indoor and outdoor play structures for children. OPC owns and operates a family entertainment centre.

2. Changes in accounting policies and future changes to accounting standards

Financial instruments – presentation and disclosures

During the year ended September 30, 2010, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, *Financial Instruments* **–** *Disclosures*. The amendments resulted in enhanced disclosures regarding the fair value measurement of financial instruments and are included in note 13. The adoption of these amendments had no impact on the Corporation's results, financial position or cash flows.

Multiple deliverable revenue arrangements

In December 2009, the Accounting Standard Board issued Emerging Issues Committee Abstract 175, Multiple Deliverable Revenue Arrangements, addressing how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. This Abstract also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. This Abstract does not address when the criteria for revenue recognition are met or provide revenue recognition guidance for a given unit of accounting. The provisions in this Abstract may be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Early adoption is permitted. The Corporation adopted this new Abstract prospectively from October 1, 2009, and it had no material impact on its consolidated financial statements.

Convergence with International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged to International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 and must be accompanied by IFRS comparative information.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. The Corporation is currently evaluating the impact the adoption of IFRS will have on its 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 Corporation and its wholly-owned subsidiaries, IPC and OPC. 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, depreciation, income taxes, accrued liabilities, stock-based compensation, fair value of financial derivatives, warranty provision, and impairment of long-lived assets. Actual results could differ from those estimates.

Translation of foreign currencies

The measurement currency of the Corporation is the Canadian dollar. Transactions in foreign currencies are translated at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the measurement currency are translated at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in earnings. Non-monetary assets and liabilities are translated at the historical rates.

Revenue recognition

The Corporation generates revenue from the following principle sources:

- The sale and installation of play structure equipment by its manufacturing operations (“Manufacturing Operations”); and
- Admission fees, redemption games, and the sale of concession goods by its family entertainment centre operations (“FEC Operations”).

Revenue is measured at the fair value of the consideration received or receivable.

(i) Revenue Recognition – Manufacturing Operations:

Revenue from the sale of equipment is recognized when all the following conditions are satisfied:

- The Corporation has transferred to the customer the significant risks and rewards of ownership of the equipment;
- The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the equipment sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Arrangements that include the sale of equipment and installation services are accounted for as multiple element revenue transactions. The equipment and the installation services are separate units of accounting in the arrangement because the equipment has stand-alone value, as it is sometimes sold separately, and because there are no general return or refund rights.

Arrangement consideration is allocated to the separate units of accounting based on their relative selling price (the relative selling price method). When applying the relative selling price method, the selling price for each deliverable is determined using vendor-specific objective evidence of selling price, if it exists, otherwise third-party evidence of selling price. If neither vendor-specific objective evidence nor third-party evidence of selling price exists for a deliverable, the Corporation uses its best estimate of the selling price for that deliverable when applying the relative selling price method. None of the amount allocable to the equipment is contingent upon performing the installation.

The consideration allocated to the installation services is not recognized as revenue at the time of the initial sale transaction, but is deferred and recognized as revenue upon completion of the installation of equipment and when the Corporation's obligations have been fulfilled.

Amounts received from customers prior to revenue recognition are recorded as customer deposits.

(ii) Revenue Recognition – FEC Operations:

Revenue from admission fees, redemption games, and the sale of concession goods are recognized at the point of sale. Amounts received from customers for future admissions are recorded as customer deposits.

Financial instruments

The Corporation measures its financial assets in the balance sheet at fair value, except for loans and receivables, which are measured at amortized cost. Financial liabilities classified as held for trading, including derivatives, are measured in the balance sheet at fair value; all other financial liabilities are measured at amortized cost.

Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. The Corporation classifies its accounts receivables as loans and receivables and its accounts payable and warranty liabilities as other financial liabilities.

Periodically, the Corporation enters into forward exchange contracts to limit its exposure to foreign currency rate fluctuations. These derivative contracts are recorded as either assets or liabilities in the consolidated balance sheet at fair value. Any changes in fair value are recognized in earnings as foreign exchange gains or losses. The Corporation does not designate its financial instruments as hedges.

3. Significant accounting policies (continued)

Financial instruments (continued)

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.

The Corporation 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.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes materials, labour and the appropriate share of production overhead based on normal operating capacity. Costs of materials are determined on an average per unit basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing the appropriate inventory obsolescence provision, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, technology and design, which could make inventory on hand recoverable at less than its cost or even obsolete.

Property, plant, and equipment and depreciation

Property, plant and equipment are recorded at cost. Depreciation 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.

Accrued warranty liabilities

A provision for warranty costs is recorded on product sales at the time of shipment. In establishing the accrued warranty liability, management estimates the likelihood that products sold will experience warranty claims and the estimated cost to resolve claims received, taking into account the nature of the contract and past and projected experience with the products.

3. Significant accounting policies (continued)

Leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts. Leases, which transfer substantially all the benefits and risks incident to ownership of the leased property to the Corporation, are accounted for as capital leases. The cost of assets under capital leases represent the present value of minimum lease payments and are amortized on a straight-line basis over the lease term. Assets under capital leases are presented in property, plant and equipment in the consolidated balance sheet.

Leases that do not transfer substantially all of the benefits and risks incident to ownership of the property are accounted for as operating leases.

Income taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences) and for loss carry-forwards. The resulting changes in the net future tax asset or liability are included in income. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

The effect on future income tax assets and liabilities, of a change in tax rates, is included in income in the period that includes the substantive enactment date. Future income tax assets are evaluated, and if realization is not considered to be “more likely than not,” a valuation allowance is provided.

Stock-based compensation

The Corporation 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. Forfeitures are accounted for as they occur.

Employee benefits

On July 1, 2010, the Corporation implemented a group registered retirement savings plan (“Group Plan”) in which full-time employees are eligible to participate. The Group Plan provides for eligible employees to receive matching contributions from the Corporation at pre-defined rates. The Corporation recognizes this cost as an expense in the period it is incurred.

During the year ended September 30, 2010, the Corporation recognized $9,335 of expense associated with the Group Plan.

3. Significant accounting policies (continued)

Earnings (loss) per common share

Basic earnings (loss) 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 Corporation uses the treasury stock method in calculating diluted earnings (loss) per share.

The computation of diluted loss per share for 2009 excludes 991,500 outstanding options as they would be anti-dilutive.

4. Inventories

	2010	2009
Raw materials	$ 921,341	$ 1,046,263
Work in progress	27,419	51,397
Finished goods	25,318	62,807
	$ 974,078	$ 1,160,467

Inventories recognized as an expense during the year amount to $4,682,046 (2009 - $5,103,656).

5. Property, plant and equipment

			2010
	Cost	Accumulated depreciation	Net book value
Automotive	$ 49,113	$ 29,218	$ 19,895
Computer equipment	331,455	216,796	114,659
Furniture and fixtures	149,489	72,893	76,596
Machinery and equipment	1,750,523	609,511	1,141,012
Moulds	186,491	134,170	52,321
Leasehold improvements	844,899	230,629	614,270
	$ 3,311,970	$ 1,293,217	$ 2,018,753

During the year ended September 30, 2010 the Corporation acquired property, plant and equipment totalling $140,454 of which $66,262 was financed by means of capital leases and $74,192 was purchased with cash. Included in property, plant and equipment at September 30, 2010 are assets under capital leases with a cost of $646,171 and a net book value of $411,605.

5. Property, plant and equipment (continued)

	2009		
	Cost	Accumulated depreciation	Net book value
Automotive	$ 76,398	$ 39,864	$ 36,534
Computer equipment	328,921	175,930	152,991
Furniture and fixtures	144,230	52,836	91,394
Machinery and equipment	1,602,304	316,952	1,285,352
Moulds	186,491	111,747	74,744
Leasehold improvements	843,803	127,726	716,077
	$ 3,182,147	$ 825,055	$ 2,357,092

During the year ended September 30, 2009 the Corporation acquired property, plant and equipment totalling $1,360,131 of which $191,078 was financed by means of capital leases and $1,169,053 was purchased with cash. Included in property, plant and equipment at September 30, 2009 are assets under capital leases with a cost of $614,079 and a net book value of $449,099.

6. Capital lease obligations

The Corporation leases various delivery vehicles, moulds, and equipment under capital leases. The future minimum payments under these leases are as follows:

	2010	2009
2010		$ 157,275
2011	**$ 170,916**	148,386
2012	**149,553**	127,018
2013	**61,197**	51,809
2014	**1,841**	1,841
	383,507	486,329
Less amount representing interest at 9.49% (September 30, 2009 - 9.86%)	**(40,349)**	(70,749)
	343,158	415,580
Less current portion	**(145,048)**	(122,077)
	$ 198,110	$ 293,503

7. Loan payable

Loan payable consists of a non-revolving term loan maturing in August 2011 which bears interest at prime plus 2.95% and is secured by a general security agreement covering all personal property of the Corporation. The loan is repayable in monthly instalments of $13,889 plus interest.

8. Operating loan

On August 13, 2010, the operating loan facility was renewed with a limit of $500,000, subject to certain margin requirements, bears interest at prime plus 1.50% and is secured by a general security agreement covering all property of the Corporation. No amounts were drawn on this facility at September 30, 2010 and 2009.

9. Capital stock

Authorized and issued

A summary of the issued and outstanding shares of the Corporation is as follows:

	Number of shares	Amount
Authorized		
Unlimited Common shares, without par value		
Unlimited Preferred shares, without par value		
Issued, Common shares		
Balance, September 30, 2010 and 2009	**10,220,187**	**$ 1,757,643**

During the year ended September 30, 2009, 381,500 common shares were issued on the exercise of stock options for proceeds of $85,838. The proceeds, together with the $52,266 fair value of these options previously credited to contributed surplus, has been credited to capital stock.

Stock options

The Corporation 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 Corporation and the exercise price is generally determined by reference to the market price of the Corporation’s stock on the grant date. Vesting and expiry of options may vary at the discretion of the Corporation’s Compensation Committee, subject to the rules of the stock exchange. The contractual life of the options is generally for one year. The total number of shares issuable pursuant to the Option Plan cannot exceed 10% of the issued and outstanding shares. The maximum number of options available to be granted under the Option Plan as at September 30, 2010 is 1,022,018 (2009 – 30,518).

9. Capital stock (continued)

A summary of stock option activity follows:

	Stock options	
	Weighted average	
	Number	Price
Outstanding at September 30, 2008	904,500	$0.31
Granted	991,500	$0.26
Exercised	(381,500)	$0.23
Expired	(523,000)	$0.38
Outstanding at September 30, 2009	991,500	$0.26
Expired	(991,500)	$0.26
Outstanding at September 30, 2010	**-**	**-**

The following table summarizes information about director and employee stock options outstanding at September 30, 2009:

		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
2009	$0.26	991,500	0.3 Years	$0.26	991,500	$0.26

The Corporation uses the fair value method to account for stock options granted to employees and consultants. During the year ended September 30, 2009 there were 991,500 stock options granted which expire one year from the date of grant and have no vesting requirement. The weighted average grant date fair value of the options issued during 2009 was $0.18 per option and $179,957 was recorded as compensation expense.

The fair value of options issued during the year ended September 30, 2009 was estimated using the Black-Scholes option pricing model with the following assumptions:

	2009
Risk-free interest rate	0.96%
Expected volatility	120.44%
Expected average life of options	1 year
Expected dividend yield	0%

9. Capital stock (continued)

Escrowed shares

During the year ended September 30, 2010, the remaining 388,725 (2009 – 777,452) shares have been released from escrow. At September 30, 2009, 388,725 common shares were held in escrow.

10. Contributed surplus

Charges and credits to contributed surplus are related to stock options and are as follows:

	2010	2009
Opening balance	**$ 256,858**	$ 129,167
Compensation expense	**-**	179,957
Options exercised	**-**	(52,266)
Closing balance	**$ 256,858**	$ 256,858

11. Commitments

The Corporation leases premises and certain equipment under long-term operating lease agreements that expire at various dates up to 2020. Future minimum lease payments aggregate $4,012,660 and include the following amounts payable, including estimated occupancy costs:

2011	**$ 508,393**
2012	**555,754**
2013	**597,085**
2014	**434,899**
2015	**326,331**
Thereafter	**1,590,198**
	$ 4,012,660

Included in selling and administration expenses is $560,979 (2009 - $544,549) of premise lease costs.

On February 6, 2008, the Corporation entered into an operating lease agreement commencing on March 1, 2008 to February 29, 2014 with the first ten months of basic rent forgiven. The rent inducement of $100,775 has been included in these financial statements and is recognized into income on a straight-line basis over the term of the lease.

On July 6, 2010, the Corporation entered into an operating lease agreement, for office and warehouse space, commencing on December 1, 2010 to November 30, 2020, with seven months of basic rent forgiven.

12. Income taxes

The approximate tax effect of temporary differences and tax loss carry-forwards that give rise to the Corporation's future income tax assets are as follows:

		2010		2009
Future income tax assets				
Tax loss carryforwards	$	**168,573**	$	33,613
Timing difference on expenses		**51,528**		60,233
Share issue expenses		**4,631**		7,477
		224,732		101,323
Future income tax liability				
Property, plant and equipment		**(45,655)**		(33,550)
Net future income tax asset	**$**	**179,077**	$	67,773

The future benefit of these temporary differences and tax loss carry-forwards has been recognized in the financial statements as at September 30, 2010, as it is more likely than not they will be utilized.

As at September 30, 2010 the Corporation has $674,293 of tax loss carry-forwards expiring as follows:

2026	$	1,611
2027		1,228
2028		66,810
2029		46,649
2030		557,995
	$	674,293

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

		2010		2009
Canadian basic statutory rate		**28.88%**		30.13%
Expected income tax recovery	**$**	**(128,988)**	$	(52,571)
Change in tax rates		**7,381**		18,999
Non-deductible expenses		**10,303**		58,088
	$	**(111,304)**	$	24,516

13. Financial instruments and risk management

(a) Classification of financial instruments and fair value

The following table summarizes information relating to the Corporation's financial instruments for the years ending September 30, 2010 and 2009.

Class of Financial Instruments	Consolidated Balance Sheet Categories Included	Carrying Amount	
		2010	2009
Held for trading financial asset	Cash	**$ 369,573**	$ 420,010
Loans and receivables	Accounts receivable	**706,544**	760,445
Other liabilities	Accounts payable and accrued liabilities, and loan payable	**1,099,321**	1,263,295

The carrying values of cash, accounts receivable and accounts payable approximate their fair market values due to their short-term maturities. The loan payable and capital lease obligations bear interest at current market rates and as a result their carrying values approximate their fair values.

Fair value measurements recognized in the balance sheet must be categorized in accordance with the following levels:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities;

(ii) Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability directly (as prices) or indirectly (derived from prices); and

(iii) Level 3 – Inputs that are not based on observable market data (involves assumptions and estimates by management of how market participants would price the asset or liability).

At September 30, 2010, the Corporation categorized the fair value measurement of its cash in Level 1.

13. Financial instruments and risk management (continued)

(b) Risks and risk management

Financial instruments may expose the Corporation to a number of financial risks, including market risk (interest rate risk and currency risk), credit risk and liquidity risk. The Corporation's overall risk management program seeks to mitigate these risks and reduce the volatility that may otherwise affect its financial performance.

The risks associated with the Corporation's financial instruments and the Corporation's policies for minimizing these risks are detailed below.

(i) Market risk

a) Interest rate risk

Interest rate risk refers to the risk that the fair value of a financial instrument or the future cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Corporation's interest rate risk arises primarily from its long-term debt which bears interest at variable rates which exposes the Corporation to changes in its debt servicing cash flows. The Corporation also has an operating loan which is subject to variable interest rates. Amounts aggregating to $345,000 were drawn on this facility intermittently and for short periods of time during the year ended September 30, 2010, resulting in an interest expense of $570 (2009 - no amounts were drawn on this facility). Capital lease obligations bear interest at fixed rates.

The Corporation manages interest rate risk on its debt portfolio by controlling the mix of liabilities with fixed and variable interest rate obligations and attempting to ensure access to diverse sources of funding.

For every 2% increase in the interest rate, with all other variables held constant, the net loss and comprehensive loss would increase by approximately $1,000 (2009 – $5,000). A decrease in the interest rate would have the opposite effect.

b) Currency risk

Currency risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in foreign currency exchange rates.

The Corporation has significant sales denominated in U.S. dollars, which exceeds the natural hedge provided by the purchase of products denominated in U.S. dollars, and is therefore exposed to financial risk resulting from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation manages this risk by entering into foreign exchange forward contracts.

At September 30, 2010, the Corporation has not entered into any foreign exchange forward contracts (2009 - commitment to sell $15,800 of U.S. dollars on December 1, 2009 at a rate of $1.085).

13. Financial instruments and risk management (continued)

b) Currency risk (continued)

The fair value of the outstanding contract at September 30, 2009 is a liability of $202 and is recorded as a foreign exchange loss in the consolidated statement of operations.

During the year ended September 30, 2010, the Corporation generated foreign exchange gains totalling $29,345 on foreign exchange forward contracts (2009 – incurred foreign exchange losses of $237,317).

A sensitivity analysis has been performed assuming the foreign exchange rate changes by 5% as at September 30, 2010 (2009 - 5%). For every 5% strengthening of the U.S. dollar against the Canadian dollar, with all other variables held constant, net loss and comprehensive loss would decrease by approximately $52,000 (2009 - $35,000). A weakening of the U.S. dollar against the Canadian dollar would have the opposite effect.

(ii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The carrying amounts of cash and accounts receivable on the consolidated balance sheet represent the Corporation's maximum exposure to credit risk.

The Corporation's credit risk is primarily attributable to its accounts receivable. Accounts receivable is disclosed on the balance sheet net of provision for bad debts, estimated by management based on prior experience and its assessment of the current economic environment. The Corporation believes that the credit risk of accounts receivable is limited because of its policy to receive significant upfront deposits from customers prior to product shipment and management's ongoing credit evaluations of customers.

Accounts receivable with two customers represent approximately 48% of the balance of accounts receivable as at September 30, 2010 (September 30, 2009 – two customers represented approximately 58% of accounts receivable). It is the opinion of management that these accounts do not represent a significant credit risk.

The credit risk associated with the Corporation's cash is limited because this financial asset is held through large Canadian financial institutions with a high investment grade rating.

13. Financial instruments and risk management (continued)

(ii) Credit risk (continued)

The Corporation's aging of accounts receivable is as follows:

	2010	2009
Trade receivables		
Current	$ 464,062	$ 458,107
Aged between 31 - 60 days	68,617	154,251
Aged between 61 - 90 days	51,863	6,954
Aged greater than 90 days	373,622	223,353
	958,164	842,665
Other receivables	36,930	39,910
Allowance for doubtful accounts	(288,550)	(122,130)
	$ 706,544	$ 760,445

Changes in the Corporation's allowance for doubtful accounts are as follows:

	2010	2009
Opening balance	$ 122,130	$ 3,470
Write-offs	(122,130)	-
Recovered	-	(3,470)
Increase in allowance	288,550	122,130
Closing balance	$ 288,550	$ 122,130

(iii) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages its liquidity risk through maintaining cash and access to undrawn credit facilities, and adheres to its capital management policies outlined in Note 15.

13. Financial instruments and risk management (continued)

(iii) Liquidity risk (continued)

The Corporation's contractual maturities of its financial liabilities as at September 30, 2010 and 2009 are as follows:

2010

	Carrying amount	Contractual Cash Flow Obligations (1)	Less than 6 Months	6 to 12 Months	Between 1 and 2 Years	Between 2 and 5 Years
Accounts payable and accrued liabilities	**$ 946,546**	**$ 946,546**	**$ 946,546**	**$ -**	**$ -**	**$ -**
Capital lease obligations	**343,158**	**383,507**	**89,902**	**81,014**	**149,553**	**63,038**
Loan payable	**152,775**	**157,322**	**86,845**	**70,477**	**-**	**-**
	$ 1,442,479	**$ 1,487,375**	**$ 1,123,293**	**$ 151,491**	**$ 149,553**	**$ 63,038**

(1) Includes interest

2009

	Carrying amount	Contractual Cash Flow Obligations (1)	Less than 6 Months	6 to 12 Months	Between 1 and 2 Years	Between 2 and 5 Years
Accounts payable and accrued liabilities	$ 943,852	$ 943,852	$ 943,852	$ -	$ -	$ -
Capital lease obligations	415,580	486,329	78,637	78,638	148,386	180,668
Loan payable	319,443	339,248	92,160	247,088	-	-
	$ 1,678,875	$ 1,769,429	$ 1,114,649	$ 325,726	$ 148,386	$ 180,668

(1) Includes interest

14. Segmented information and concentration of sales

(a) Business segments

The Corporation operates in two business segments: Manufacturing of indoor and outdoor play structures for children, and operating a Family Entertainment Centre.

The accounting policies of the two business segments are the same as those described in Note 3 to the consolidated financial statements. Inter-segment transactions are eliminated upon consolidation.

Information related to the two business segments operations is as follows:

	Year ended September 30, 2010		
	Manufacturing	**Family Entertainment Centre**	**Total**
Sales to external customers	$ 6,588,467	$ 1,353,031	$ 7,941,498
Cost of sales	4,115,637	752,798	4,868,435
Gross profit	2,472,830	600,233	3,073,063
Selling and administrative expenses	2,605,354	385,506	2,990,860
Depreciation expense	260,275	218,518	478,793
Foreign exchange loss (gain)	(5,823)	681	(5,142)
Interest expense	5,503	49,685	55,188
Income tax recovery	(63,495)	(47,809)	(111,304)
Net loss	$ (328,984)	$ (6,348)	$ (335,332)
Total assets	$ 2,932,970	$ 1,404,928	$ 4,337,898
Acquisition of property, plant and equipment	$ 69,141	$ 71,313	$ 140,454

14. Segmented information and concentration of sales (continued)

(a) Business segments (continued)

	Year ended September 30, 2009		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 8,227,023	$ 1,099,062	$ 9,326,085
Cost of sales	4,709,288	604,482	5,313,770
Gross profit	3,517,735	494,580	4,012,315
Selling and administrative expenses	3,012,671	352,827	3,365,498
Depreciation expense	220,470	169,187	389,657
Foreign exchange loss	375,784	-	375,784
Interest expense	4,630	51,221	55,851
Income tax expense (recovery)	33,397	(8,881)	24,516
Net loss	$ (129,217)	$ (69,774)	$ (198,991)
Total assets	$ 3,191,535	$ 1,636,576	$ 4,828,111
Acquisition of property, plant and equipment	$ 743,836	$ 616,295	$ 1,360,131

(b) Geographic and customer information

All of the Corporation's assets are located in Canada.

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

	2010	2009
Sales		
Canada	**$ 2,383,125**	$ 2,060,394
United States	**3,457,944**	4,899,034
Europe	**543,377**	332,421
Middle East	**470,933**	1,479,956
Asia Pacific	**490,147**	165,895
Latin America	**595,972**	388,385
	$ 7,941,498	$ 9,326,085

14. Segmented information and concentration of sales (continued)

(b) Geographic and customer information (continued)

The approximate sales to significant customers, all from the manufacturing business segment, are as follows:

	2010	2009
Customer A	**$ 1,276,953**	$ 1,435,981
Customer B	**-**	908,271

15. Capital disclosures

The Corporation's capital, totalling $3,024,922 (2009 - $3,599,344), consists of shareholder's equity, capital lease obligations, loan payable and operating loan. The Corporation's objective when managing its capital is to safeguard the Corporation's assets while at the same time maximizing the growth of its business and the returns to its shareholders.

This objective is achieved by prudently managing the capital generated through internal growth, optimizing the use of lower cost capital and raising share capital when required to fund growth initiatives. During 2010, the Corporation funded its operations from internally generated cash flows and utilized new capital leases to fund capital expenditures (Note 5).

Capital management objectives, policies and procedures are unchanged since the preceding year.

The Corporation does not use financial ratios to manage capital and is not subject to externally imposed requirements which have an impact on its management of capital except for the margin requirements of its operating loan. At September 30, 2010 and September 30, 2009 the Corporation complied with these margin requirements.

16. Supplemental cash flow information

	2010	2009
Interest paid	**$ 55,188**	$ 55,851
Non-cash transactions - capital leases (Note 5)	**66,262**	191,078

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Iplayco Corporation Ltd. ("Iplayco" or the "Corporation") provides information for the three-month periods and the years ended September 30, 2010 and 2009, and up to and including November 25, 2010. This MD&A should be read together with our audited consolidated financial statements and the accompanying notes for the years ended September 30, 2010 and 2009 (the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in Canadian dollars.

We have prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws. You should carefully read the cautionary note in this MD&A regarding forward looking statements and should not place undue reliance on any such forward looking statements. See "Cautionary Note Regarding Forward-looking Statements".

Additional information related to Iplayco, including our consolidated financial statements, and our Management Proxy Circular, can be found on SEDAR at www.sedar.com, or on our corporate website at www.iplaycoltd.com.

Overview

Our business is carried out through Iplayco's wholly owned subsidiaries International Play Company Inc. and Outdoor Play Company Inc. We operate in two business segments: (1) We design and manufacture customized indoor and outdoor play structures for children, from our plant in Langley, British Columbia ("Manufacturing" or "MFG"); and (2) we own and operate a family entertainment centre in Langley, British Columbia ("Family Entertainment Centre" or "FEC"). Our FEC operations began in December 2008.

Consolidated Results

Sales for the three months ended September 30, 2010 ("Q4-10") increased by 48.1% to $2,492,158, compared to $1,682,700 for the three months ended September 30, 2009 ("Q4-09"). Gross profit percentage was 42.9% of sales in Q4-10, compared to 54.8% in Q4-09. Operating expenses were $1,050,210, or 42.1% of sales, in Q4-10, compared to $1,073,657, or 63.8% of sales, in Q4-09. Net income in Q4-10 was $81,839, or diluted earnings per share of $0.01, compared to a net loss of $188,962, or loss per share of $0.02 in Q4-09.

Sales for the year ended September 30, 2010 ("2010") decreased by 14.8% to $7,941,498, compared to $9,326,085 for the year ended September 30, 2009 ("2009"). Gross profit percentage was 38.7% of sales in 2010, compared to 43.0% in 2009. Operating expenses were $3,519,699, or 44.3% of sales, in 2010, compared to $4,186,790 or 44.9% of sales in 2009. Net loss in 2010 was $335,332, or a loss per share of $0.03, compared to a net loss of $198,991, or a loss per share of $0.02 in 2009.

Manufacturing

The time required to manufacture, ship, and install individual playgrounds is largely dependent on the size and complexity of the play structures ordered by our customers. Factors such as customer locations, capital expenditure budgets, and theme requirements, may cause project completion timelines to vary from a few weeks to a few months. Our products are sold and installed worldwide. Our customer base includes family entertainment centers, theme parks, shopping malls, day care centers, fitness clubs, municipalities and other not for profit organizations. Over the past few years, there has been an increase in customer demand for larger and more complex play structures however the general state of the economy has a significant impact on the volume of orders for our larger and more complex play structures.

In Q4-10, sales generated by our Manufacturing operations increased by 61.0% to $2,191,177, compared to $1,360,869 in Q4-09. This increase was due primarily to the combined effect of higher sales to our customers in Europe, who accounted for $453,514 (or 20.7% of total Manufacturing sales) in Q4-10, compared to $31,873 (or 2.3%) in Q4-09, higher sales to our customers in the Middle East, who accounted for $383,584 (or 17.5% of total Manufacturing sales) in Q4-10, compared to $137,997 (or 10.1%) in Q4-09, and higher sales to our customers in the Latin America who accounted for $219,912 (or 10.0% of total Manufacturing sales) in Q4-10, compared to $56,182 (or 4.1%) for in Q4-09.

In 2010, sales generated by our Manufacturing operations decreased by 19.9% to $6,588,467, compared to $8,227,023 to 2009. This decrease was due primarily to a combination of lower sales to our customers in the United States of America ("U.S."), who accounted for $3,457,944 (or 52.5% of total Manufacturing sales) in 2010, compared to $4,899,034 (or 59.5%) in 2009, and lower sales to our customers in the Middle East who accounted for $470,933 (or 7.1% of total Manufacturing sales) in 2010, compared to $1,479,956 (or 18.0%) in 2009.

We generate a significant portion of our total sales from the U.S., therefore, our Manufacturing operations continue to be affected by the challenging economic environment in the U.S. If the resulting economic pressure on our customers causes them to end their relationship with us, reduce or postpone current or expected purchase orders for our play structures, or suffer from business failure, our sales and profitability could decline, perhaps materially. To manage this risk, we are increasing our efforts to rationalize productions costs in order to improve our competitive pricing, and we are increasing our marketing activities in an effort to increase sales and broaden our customer base, particularly in markets outside of North America.

The economic environment in our industry remains challenging, especially in the U.S. Although sales from our Manufacturing operations increased by 60.1% to $2,191,177 in Q4-10, compared to $1,368,469 in Q3-10, we are currently forecasting modest to moderate growth of our sales in 2011 as compared to 2010.

Gross profit percentage decreased to 43.2% (or 37.5% in 2010) of sales from our Manufacturing operations in Q4-10, compared to 56.2% in Q4-09 (or 42.8% in 2009). The decrease in gross profit percentage in Q4-10 as compared to Q4-09 was due primarily to sales mix, as we sold a greater number of smaller and lower yielding play structures in Q4-10 as compared to Q4-09. The decrease in gross profit percentage in 2010 as compared to 2009 was due primarily to fixed overhead production costs that reduced gross profit margins due to significantly lower sales volume in 2010 as compared to 2009. We expect that our gross profit percentage will continue to fluctuate depending on the design, size, and complexity of the play structures sold, the competitive selling prices, our ability to reduce costs, and changes in sales volume.

In Q4-10, our Manufacturing operations generated net income of $77,581 (or a net loss of $328,984 in 2010) compared to a net loss of $221,217 in Q4-09 (or a net loss of $129,217 in 2009). The increase in net operating results in Q4-10 as compared to Q4-09 was due primarily to the combined effect of an increase in sales and a decrease in operating expenses in Q4-10 as compared to Q4-09. The decrease in net operating results in 2010 as compared to 2009 was due primarily to significantly lower sales and gross profit percentage, partially offset by reductions in selling and administrative expenses and foreign exchange loss in 2010 as compared to 2009. We expect that our net earnings will continue to fluctuate based on variability in our gross profit and exposure to foreign currency risk between the U.S. dollar and the Canadian dollar.

Family Entertainment Centre

Our FEC began operating in December 2008. Our decision to enter into the consumer entertainment business was to create a new sales stream that would stabilize earnings from our Manufacturing operations, which as described above, are inherently subject to fluctuations from certain market risks.

During the first three months of operations of our FEC, our ability to generate sales was limited due to delays with the installation of certain large play structures. It was not until March 2009 that our FEC was fully operational.

Sales generated by our FEC operations decreased by 6.5% to $300,981 in Q4-10, compared to $321,831 in Q4-09. This decrease was due primarily to $23,238 of deferred revenue from customer deposits received for party reservations scheduled to take place after September 30, 2010. In 2010, sales generated by our FEC operations increased by 23.1% to $1,353,031, compared to $1,099,062 in 2009, due primarily to the start of fully operational activities in March 2009.

In Q4-10, our FEC operations generated net income of $4,258 (or net loss of $6,348 in 2010) compared to net income of $32,255 in Q4-09 (or a net loss of $69,774 in 2009). The decrease in net income in Q4-10 as compared to Q4-09 was due primarily to lower sales resulting from an increase in deferred revenue in Q4-10 as compared to Q4-09. The increase in net operating results in 2010 as compared to 2009 was due primarily to an increase in sales.

We are forecasting modest to moderate growth in sales from our FEC operations in 2011 as compared to 2010. We expect this growth to be generated primarily from new play attractions at our FEC and various new marketing efforts. We are also expecting that our operating expenses will continue to decrease as a percentage of our FEC sales due to our continuing efforts to reduce operating expenses, and due to lower interest expense resulting from fixed repayments on our existing loan payable balance and capital lease obligations.

Our business plan is to continue to search for new growth opportunities for our FEC operations. Our decision to expand will depend on finding appropriate facilities and obtaining additional financing. In order to continue our growth strategy, we will require additional financing to open new FECs, however, should our expansion plans succeed, it is our belief that our Manufacturing operations would benefit by supplying play structures for the new FECs and in turn, these FECs would serve as a valuable showcase for our new play structures.

Results of Operations

The following tables set forth our operating results for our Manufacturing and our FEC business segments for the three-month periods and years ended September 30, 2010 and 2009, expressed as a percentage of total sales:

	Q4-10						Q4-09					
	MFG		**FEC**		**Total**		MFG		FEC		Total	
Sales to external customers	**87.9**	**%**	**12.1**	**%**	**100.0**	**%**	80.9	%	19.1	%	100.0	%
Cost of sales	**49.9**		**7.2**		**57.1**		35.4		9.8		45.2	
Gross profit	**38.0**		**4.9**		**42.9**		45.5		9.3		54.8	
Selling and administrative expenses	**31.7**		**3.8**		**35.5**		51.2		1.4		52.6	
Depreciation expense	**3.8**		**2.2**		**6.0**		4.2		3.2		7.4	
Foreign exchange loss	**0.2**		**0.0**		**0.2**		2.9		0.0		2.9	
Interest expense	**0.1**		**0.4**		**0.5**		0.1		0.8		0.9	
Income tax expense (recovery)	**(0.8)**		**(1.7)**		**(2.5)**		0.2		2.0		2.2	
Net income (loss)	**3.0**	**%**	**0.2**	**%**	**3.2**	**%**	(13.1)	%	1.9	%	(11.2)	%

	2010						2009					
	MFG		**FEC**		**Total**		MFG		FEC		Total	
Sales to external customers	**83.0**	**%**	**17.0**	**%**	**100.0**	**%**	88.2	%	11.8	%	100.0	%
Cost of sales	**51.8**		**9.5**		**61.3**		50.5		6.5		57.0	
Gross profit	**31.2**		**7.5**		**38.7**		37.7		5.3		43.0	
Selling and administrative expenses	**32.8**		**4.8**		**37.6**		32.3		3.8		36.1	
Depreciation expense	**3.3**		**2.8**		**6.1**		2.4		1.8		4.2	
Foreign exchange loss (gain)	**(0.1)**		**0.0**		**(0.1)**		4.0		0.0		4.0	
Interest expense	**0.1**		**0.6**		**0.7**		0.0		0.5		0.5	
Income tax expense (recovery)	**(0.8)**		**(0.6)**		**(1.4)**		0.4		(0.1)		0.3	
Net loss	**(4.1)**	**%**	**(0.1)**	**%**	**(4.2)**	**%**	(1.4)	%	(0.7)	%	(2.1)	%

Our sales by business segment, and geographical region, are as follows:

	Q4-10			Q4-09		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**4.5**	**12.1 %**	**16.6 %**	7.4 %	19.1 %	26.5 %
United States	**41.0**	**-**	**41.0**	60.1	-	60.1
Europe	**18.2**	**-**	**18.2**	1.9	-	1.9
Middle East	**15.4**	**-**	**15.4**	8.2	-	8.2
Asia Pacific	**-**	**-**	**-**	-	-	-
Latin America	**8.8**	**-**	**8.8**	3.3	-	3.3
	87.9 %	**12.1 %**	**100.0 %**	80.9 %	19.1 %	100.0 %

	2010			2009		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**13.0 %**	**17.0 %**	**30.0 %**	10.3 %	11.8 %	22.1 %
United States	**43.6**	**-**	**43.6**	52.5	-	52.5
Europe	**6.8**	**-**	**6.8**	3.5	-	3.5
Middle East	**5.9**	**-**	**5.9**	15.9	-	15.9
Asia Pacific	**6.2**	**-**	**6.2**	1.8	-	1.8
Latin America	**7.5**	**-**	**7.5**	4.2	-	4.2
	83.0 %	**17.0 %**	**100.0 %**	88.2 %	11.8 %	100.0 %

Results of Operations – Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Sales

Sales increased by $809,458 (or 48.1%) in Q4-10 to $2,492,158 from $1,682,700 in Q4-09. This increase was due primarily to an increase in sales of $830,308 from our Manufacturing operations.

In Q4-10, two customers accounted for 25.1% of our total sales. In Q4-09, two customers accounted for 30.2% of our total sales.

Although sales from our Manufacturing operations increased significantly in Q4-10 as compared to Q3-10 and Q4-09, we are expecting sales for the three-month period ended December 31, 2010 to be in-line with sales from the same period of last year.

Gross profit

Gross profit percentage was 42.9% of sales in Q4-10, compared to 54.8% in Q4-09. This decrease was due primarily to sales mix from our Manufacturing operations, which sold a greater number of smaller and lower yielding play structures in Q4-10 as compared to Q4-09.

Operating expenses

Operating expenses were $1,050,210 in Q4-10, compared to $1,073,657 in Q4-09. This decrease was due primarily to $44,802 in lower foreign exchange losses from our Manufacturing operations, partially offset by $23,922 in higher depreciation expense.

Income tax expense

The income tax recovery of $63,846 in Q4-10 was due to future income tax recoveries of $20,464 and $43,382 from our Manufacturing and FEC operations, respectively. The income tax expense of $37,154 in Q4-09 was due primarily to the future income tax expense from our FEC operations.

Net earnings

Net income and comprehensive income in Q4-10 was $81,839, or diluted earnings per share of $0.01, compared to a net loss and comprehensive loss of $188,962, or loss per share of $0.02, in Q4-09. This increase was due primarily to the increase in net operating results from our Manufacturing operations.

Selected Annual Information

The following table sets forth selected annual information derived from our consolidated financial statements for each of the three years ended September 30, 2010:

	Sales	Net income (loss)	Basic and diluted earnings (loss) per share	Total assets	Loan payable	Cash dividends
2008	$9,143,192	$51,608	$ 0.01	$6,074,877	$486,111	---
2009	$9,326,085	$(198,991)	$ (0.02)	$4,828,111	$319,443	---
2010	$7,941,498	$(335,332)	$ (0.03)	$4,337,898	$152,775	---

The downward trend in our sales, net results from operations, and basic and diluted results per share is due primarily to the operating results of our Manufacturing operations. Since 2008, the general decline in the state of the U.S. economy, primarily, is having a significant impact on the volume of orders for our larger and more complex play structures, which typically yield higher gross profit margins. Although sales from our Manufacturing operations have increased significantly in Q4-10 as compared to Q3-10, the economic environment in our industry remains challenging therefore we are currently not expecting levels of growth that would significantly reverse the trend in our sales and our results from operations.

The downward trend in our total assets is due primarily to decreasing levels of cash on hand resulting from the downward trend in net results from operations.

The reduction of our loan payable balance is due to fixed repayments. The balance of our loan payable is scheduled to be entirely repaid by August 2011.

Since inception of our operations, we have not declared dividends, and we do not expect to declare dividends in the foreseeable future.

Results of Operations – Year ended September 30, 2010 Compared to Year ended September 30, 2009

Sales

Sales decreased by $1,384,587 (or 14.8%) in 2010 to $7,941,498 from $9,326,085 in 2009. This decrease was due to $1,638,556 in lower sales from our Manufacturing operations, partially offset by an increase of $253,969 in sales from our FEC operations.

One customer accounted for 16.1% of our total sales in 2010, and one customer accounted for 15.4%, of our total sales in 2009. Although we experienced some business concentration during 2010, we do not believe that we are exposed to significant customer concentration risks.

We are currently forecasting modest to moderate growth in our sales in 2011 as compared to 2010, primarily due to an expected increase in sales from our Manufacturing operations.

Gross profit

Gross profit percentage was 38.7% of sales in 2010, compared to 43.0% in 2009. This decrease was due primarily to fixed overhead production costs that reduced gross profit percentage as a result of lower sales volume from our Manufacturing operations.

We expect that our gross profit percentage will continue to fluctuate primarily due to sales mix from our Manufacturing operations.

Operating expenses

Operating expenses were $3,519,699 in 2010, compared to $4,186,790 in 2009. This decrease was due primarily to $380,926 in lower foreign exchange losses and $374,638 in lower selling and administration expenses resulting from various cost reduction measures by our Manufacturing operations.

Actual results versus expected results for 2010 as compared to 2009 are as follows:

- We expected lower selling and administration expenses in 2010 as compared to 2009 due to various cost containment measures, primarily with administration expenses. Actual selling and administration expenses decreased by $374,638 (or 11.1%) in 2010 as compared to 2009.
- We expected higher depreciation expense in 2010 as compared to 2009 due to the significant investment in capital expenditures made in 2009 that would be amortized in 2010. Actual depreciation expense increased by $89,136 (or 22.9%) in 2010 as compared to 2009.
- We expected lower foreign exchange losses in 2010 as compared to 2009 due primarily to the combined effect of our expectation of lower volatility in foreign exchange rates between the U.S. dollar and the Canadian dollar, and our revised approach when entering into foreign exchange forward contracts. In 2009, we entered into foreign exchange forward contracts to hedge our larger U.S. dollar receivable balances. In 2010, we entered into foreign exchange forward contracts when exchange rates between the U.S. dollar and the Canadian dollar reached certain thresholds. Actual foreign exchange losses decreased by $380,926 (or 101.4%) in 2010 as compared to 2009.
- We expected marginally higher interest expense due to the addition of new capital leases in 2010, and use of our operating loan, which was not used in 2009. Actual interest expense decreased marginally by $663 (or 1.2%) in 2010 as compared to 2009, due primarily to fewer new capital leases than expected.

Income tax expense

The future income tax recovery amounted to $111,304 in 2010 as a result of the net loss before income taxes. In 2009, the future income tax expense of $24,516 was due primarily to non-deductible expenses for income taxes purposes, which included $179,957 of stock based compensation expenses.

Our income tax expense (recovery) will continue to fluctuate based on the variability in our net income (loss) before income tax. As expected, we did not incur a current income tax expense in 2010.

Net earnings

Net loss and comprehensive loss in 2010 was $335,332, or loss per share of $0.03, compared to a net loss and comprehensive loss of $198,991, or loss per share of $0.02 in 2009. This increase was due primarily to the net loss and comprehensive loss from our Manufacturing operations.

For our Manufacturing operations, we expect our net operating results to continue to fluctuate due to variability in our gross profits and exposure to foreign currency risk between the U.S. dollar and the Canadian dollar.

For our FEC operations, we expect our net operating results to continue to fluctuate based on competition for consumer entertainment spending.

Quarterly Results of Operations

The following tables set forth unaudited consolidated statements of operations data, and unaudited statements of operations data for the Manufacturing and FEC business segments, for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the years ended September 30, 2010 and 2009. The unaudited quarterly statements of operations data presented below reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These operating results are not necessarily indicative of results for any future period.

	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	**Q4-10**
CONSOLIDATED	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10	**30-Sep-10**
Sales	$3,463,146	$2,119,948	$2,060,291	$1,682,700	$1,801,951	$1,935,266	$1,712,123	**$2,492,158**
Cost of sales	2,064,076	1,352,719	1,136,124	760,851	1,017,193	1,290,633	1,136,654	**1,423,955**
Gross profit	1,399,070	767,229	924,167	921,849	784,758	644,633	575,469	**1,068,203**
Selling and administrative expenses	802,223	1,013,905	663,220	886,150	582,902	741,768	780,715	**885,475**
Depreciation expense	35,473	110,299	119,158	124,727	108,257	110,698	111,189	**148,649**
Foreign exchange loss (gain)	217,894	44,303	64,770	48,817	5,994	12,375	(27,526)	**4,015**
Interest expense	13,963	13,963	13,962	13,963	15,440	14,288	13,389	**12,071**
Income tax expense (recovery)	102,150	(102,150)	(12,638)	37,154	26,683	(64,820)	(9,321)	**(63,846)**
Net income (loss)	$ 227,367	$ (313,091)	$ 75,695	$ (188,962)	$ 45,482	$ (169,676)	$ (292,977)	**$ 81,839**
Basic and diluted earnings (loss) per share	0.02	(0.03)	0.01	(0.02)	0.00	(0.02)	(0.03)	0.01

	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	**Q4-10**
MANUFACTURING	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10	**30-Sep-10**
Sales	$3,446,199	$1,706,948	$1,713,007	$1,360,869	$1,498,579	$1,530,242	$1,368,469	**$2,191,177**
Cost of sales	2,010,298	1,153,987	948,871	596,132	827,605	1,079,722	963,611	**1,244,699**
Gross profit	1,435,901	552,961	764,136	764,737	670,974	450,520	404,858	**946,478**
Selling and administrative expenses	745,859	839,605	565,239	861,968	492,836	639,724	682,382	**790,412**
Depreciation expense	23,826	58,653	67,420	70,571	54,697	55,718	56,304	**93,556**
Foreign exchange loss (gain)	217,894	44,303	64,770	48,817	5,994	11,685	(27,437)	**3,935**
Interest expense	1,158	1,157	1,158	1,157	1,478	1,213	1,354	**1,458**
Income tax expense (recovery)	137,444	(94,850)	(12,638)	3,441	35,943	(71,333)	(7,641)	**(20,464)**
Net income (loss)	$ 309,720	$ (295,907)	$ 78,187	$ (221,217)	$ 80,026	$ (186,487)	$ (300,104)	**$ 77,581**

	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	**Q4-10**
FEC	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10	**30-Sep-10**
Sales	$ 16,947	$ 413,000	$ 347,284	$ 321,831	$ 303,372	$ 405,024	$ 343,654	**$ 300,981**
Cost of sales	53,778	198,732	187,253	164,719	189,588	210,911	173,043	**179,256**
Gross profit	(36,831)	214,268	160,031	157,112	113,784	194,113	170,611	**121,725**
Selling and administrative expenses	56,364	174,300	97,981	24,182	90,066	102,044	98,333	**95,063**
Depreciation expense	11,647	51,646	51,738	54,156	53,560	54,980	54,885	**55,093**
Foreign exchange loss (gain)	-	-	-	-	-	690	(89)	**80**
Interest expense	12,805	12,806	12,804	12,806	13,962	13,075	12,035	**10,613**
Income tax expense (recovery)	(35,294)	(7,300)	-	33,713	(9,260)	6,513	(1,680)	**(43,382)**
Net income (loss)	$ (82,353)	$ (17,184)	$ (2,492)	$ 32,255	$ (34,544)	$ 16,811	$ 7,127	**$ 4,258**

Our quarterly results fluctuate because our operating expenses are determined based on anticipated sales, however these operating expenses are generally fixed and are incurred throughout each quarter. The impact of significant items incurred during these interim periods is discussed in more detail in our interim consolidated financial statements and MD&A.

The following are significant items affecting our consolidated quarterly results of operations:

- The decrease in net operating results from Q1-09 to Q2-09 is due primarily to lower sales and gross profit in Q2-09 compared to Q1-09.
- The increase in net operating results from Q2-09 to Q3-09 is due primarily to lower wage expenses in Q3-09 compared to Q2-09. Wage expenses are higher in Q2-09 compared to Q3-09 due to the completion of play structures installations at our FEC in Q2-09.
- The decrease in net operating results from Q3-09 to Q4-09 is due primarily to higher operating expenses in Q4-09 compared to Q3-09. Q4-09 operating expenses are higher than Q3-09 due to international trade show expenses incurred in Q4-09.
- The increase in net operating results from Q4-09 to Q1-10 is due primarily to higher operating expenses in Q4-09 as a result of international trade show expenses.
- The decrease in net operating results from Q1-10 to Q2-10 is due primarily to a combination of lower gross profit, as a result of sales mix, and higher selling and administration expenses, in Q2-10 compared to Q1-10, due in part to expenses relating to year-end fillings and the shareholders' annual general meeting.
- The decrease in net operating results from Q2-10 to Q3-10 is due primarily to lower sales and gross profit in Q3-10 as compared to Q2-10.
- The increase in net operating results from Q3-10 to Q4-10 is due primarily to higher sales and gross profit in Q4-10 compared to Q3-10.

Future changes in accounting policies

In December 2009, the Accounting Standard Board issued Emerging Issues Committee Abstract 175, *Multiple Deliverable Revenue Arrangements*, addressing how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. This Abstract also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. This Abstract does not address when the criteria for revenue recognition are met or provide revenue recognition guidance for a given unit of accounting. The provisions in this Abstract may be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Early adoption is permitted. The Corporation adopted this new Abstract prospectively from October 1, 2009, and it had no material impact on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian Generally Accepted Accounting Principles ("Canadian GAAP") in 2011 for publicly accountable enterprises.

Our first interim reporting under IFRS will be for the three months ended December 31, 2011 and will include comparative financial information under IFRS for the three months ended December 31, 2010. We will be required to disclose reconciliations from Canadian GAAP to IFRS of our equity at October 1, 2010, December 31, 2010, and September 30, 2011. We will also be required to disclose reconciliations from Canadian GAAP to IFRS of our comprehensive income (loss) for the three months ended December 31, 2010 and for the year ended September 30, 2011. An explanation of material adjustments to the cash flow statements for those periods will also be required.

Our IFRS conversion project began in Q2-10 and consists of four phases: (1) Assessment and Planning; (2) Design; (3) Implementation; and (4) Post Implementation. We have established a project plan, governance structure, a project leader, and an external advisor. Our goal is to minimize, where possible, the impact of any changes on our business from the eventual adoption of IFRS. In Q4-10, we began regular reporting to the Audit Committee and to the Board of Directors on the status of our conversion project.

We are currently engaged in the Implementation phase of our IFRS project and we continue to be on track to meet the changeover date. We have completed our review of the major differences between Canadian GAAP and IFRS, and alternatives available under IFRS 1 – *First Time Adoption of IFRS*. The associated table provides a summary of key activities, milestones and status of our conversion project. New and revised IFRS developments are being monitored, but may result in changes to the project activities below.

Key Activities	Key Milestones	Status
Financial Statement Preparation: - Identify differences in accounting policies between Canadian GAAP and IFRS. - Assess the transitional requirements and exemptions on first-time adoption of IFRS to both our annual and interim financial statements. - Select our IFRS accounting policies. - Develop our financial statement format. - Quantify the differences between Canadian GAAP and IFRS.	- Management and Audit Committee sign-off for all key IFRS accounting policy choices to occur during 2010. - Develop draft financial statement format to occur during 2010.	- We have completed our review of the major differences between Canadian GAAP and IFRS, and alternatives available under IFRS 1. See further below for details. - We are performing an in-depth analysis of accounting policy choices.
Training: Define and introduce an appropriate level of IFRS expertise for each of the following: - Accounting Personnel - Management - Audit Committee.	- Training for Accounting Personnel, Management and the Audit Committee is expected to occur as needed throughout the project.	- The IFRS project lead is the Corporation's Chief Financial Officer who continues to receive in-depth IFRS training. - The Corporation's external advisor, with input from the Chief Financial Officer, are providing insights and training throughout the project to Accounting Personnel, Management and the Audit Committee.
Infrastructure: Confirm that our business processes and our accounting systems are IFRS compliant.	- Confirmation that our business processes and our accounting systems are IFRS compliant will occur throughout the project.	- We have completed our preliminary review of our business processes and accounting systems and we do not anticipate significant changes resulting from the transition to IFRS.
Control Environment: - Assess the implications on the design and operating effectiveness of our internal controls resulting from changes to our accounting policies. - Implement the appropriate changes as required.	- The implications on the design and operating effectiveness of all key internal controls resulting from changes to our accounting policies are being assessed as part of our review of the IFRS accounting policy choices.	- We have completed our preliminary review of our control environment and we do not anticipate material changes to our internal controls and disclosure controls over financial reporting.
External Communications: - Assess the implications of IFRS accounting policies and disclosures on continuous disclosure documents, such as news releases and Management's Discussion and Analysis ("MD&A").	- Analyze and disclose the implications of the changeover to IFRS on continuous disclosure documents throughout the project.	- We will continue to provide updates on our IFRS conversion project, including IFRS disclosures, in each of our interim and annual MD&A leading up to the our first interim reporting under IFRS for the three months ended December 31, 2011.

We have not yet determined the full effects of adopting IFRS. Our preliminary assessments of the key areas where changes in accounting policies are expected to impact the Corporation's consolidated financial statements are listed below. The list and comments below should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight those areas that we believe to be most significant, however, analysis of changes is still in progress and not all decisions have been made where choices of accounting policies are available. At this stage, we have not quantified the impacts expected on the Corporation's consolidated financial statements for these differences.

Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings in the first comparative balance sheet. Transitional adjustments relating to those standards where comparative figures are not required to be restated because they are applied prospectively will only be made as of October 1, 2010, being the first day of the year of transition for the Corporation.

IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. We have completed our review of the alternatives available under IFRS 1 and we are expecting to implement the optional exemption that defers the adoption of IFRS 2 – *Share-based Payment* to stock options granted after November 7, 2002, which have not vested at October 1, 2010.

Property, Plant & Equipment

International Accounting Standard (IAS) 16 – *Property, Plant & Equipment* and Canadian GAAP contain the same basic principles, however there are some differences. IFRS requires that significant parts of an asset be depreciated separately and depreciation commences when the asset is available for use. IFRS also permits property, plant and equipment to be measured using the fair value model or the historical cost model. We are not planning on adopting the fair value measurement model for the Corporation's property, plant and equipment.

IFRS 1 contains an elective exemption where an entity may elect to reset as the new cost basis for property, plant and equipment, its fair value at the date of transition. We are not planning on adopting this exemption and will continue to measure the Corporation's property, plant and equipment at cost.

Impairment of Assets

Impairments under IAS 36 – *Impairment of Assets* are based on discounted cash flows. Under Canadian GAAP, if an asset's estimated undiscounted future cash flows are below its carrying amount a write-down is required and is determined by the amount which the carrying amount exceeds the discounted cash flows. There is no undiscounted test under IFRS. This may result in more frequent write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

In addition, under IAS 36 a favourable change in the circumstance that resulted in an impairment of an asset, other than goodwill, would trigger the requirement for a redetermination of the amount of the impairment with any reversal being recognized in income to the extent the asset had previously been impaired. Under Canadian GAAP, impairments are not reversed.

Provisions, Contingent Liabilities and Contingent Assets

IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* requires a provision to be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. ''Probable'' in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is ''likely'', which is a higher threshold than ''probable''. Therefore, it is possible that there may be some contingent liabilities, which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP.

Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP used the low-end of the range) and the requirement under IFRS for provisions to be discounted where material.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities was $257,205 in Q4-10, compared to $113,568 in Q4-09. This increase was due primarily to net income of $81,839 in Q4-10 as compared to a net loss of $188,962 in Q4-09, partially offset by the difference in change in non-cash operating working capital items.

Cash provided by operating activities was $329,107 in 2010, compared to $190,193 in 2009. This increase was due primarily to the difference in change in non-cash operating working capital items.

We expect that cash flows from our operating activities will continue to fluctuate based on variability in our net operating results and changes in non-cash operating working capital.

Investing Activities

Cash used by investing activities was $29,003 in Q4-10, compared to $11,530 in Q4-09. This increase was due to higher purchases of property, plant and equipment in Q4-10 as compared to Q4-09, partially offset by proceeds on disposal of property, plant and equipment of $12,187 in Q4-09.

Cash used by investing activities was $74,192 in 2010, compared to $756,866 in 2009. This decrease was due primarily to significant purchases of play structure equipment in 2009 for our FEC operations.

Our business plan is to continue to search for new growth opportunities for our FEC operations. Our decision to expand will depend on finding appropriate facilities and obtaining additional financing.

As of the date of this report, we have not entered into any proposed material asset or business acquisition or disposition agreements, and except in such instances, we do not anticipate to significantly increase our investment in capital expenditures in 2011.

Financing Activities

Cash used by financing activities was $77,955 in Q4-10, compared to $71,556 in Q4-09. This increase was due to higher cash outflows for repayment of capital lease obligations as a result of entering into new capital leases.

Cash used by financing activities was $305,352 in 2010, compared to $176,345. This increase was due primarily to higher cash outflows for repayment of capital lease obligations as a result of entering into new capital leases.

We expect to continue to use our operating loan in 2011. We do not expect to require additional financing to fund our current operations however we would depend on additional financing to fund new growth opportunities for our FEC operations.

As at September 30, 2010 and 2009, we did not have any off-balance sheet finance or special purpose entities.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, repayment of our operating loan, loan payable, leases, and funding of capital expenditures. We believe that based on our current business plan, our sources of cash which include cash on hand, accounts receivable, cash from customer deposits, cash from operations, and up to $500,000 from our operating loan facility, will be sufficient to fund our expected working capital requirements for at least the next twelve months.

Sources and Uses of Cash

The source of funds for our future capital expenditures and commitments includes cash on hand, accounts receivable, borrowings, and cash from operations, as follows:

- At September 30, 2010, our cash balance was $369,573, compared to $420,010 at September 30, 2009.
- At September 30, 2010, our accounts receivable balance was $706,544, compared to $760,445 at September 30, 2009.
- We have two credit facilities with a Canadian chartered bank. See "Credit Facilities".

Credit Facilities

We have a non-revolving term loan maturing in August 2011 which bears interest at prime plus 2.95%. This loan is repayable in monthly instalments of $13,889 plus interest.

We have an operating loan facility with a limit of $500,000, subject to certain margin requirements on trade receivables and inventory. The operating loan bears interest at prime plus 1.50%. At September 30, 2010 and 2009, no amounts were drawn on this facility. Due to our trade receivable and inventory balances at September 30, 2010, we had available funds of $351,195 under this facility, compared to $500,000 at September 30, 2009.

Market Risk Disclosure

Currency risk

We are exposed to currency fluctuations and exchange rate risk on all operations conducted in currencies other than the Canadian dollar. We cannot accurately predict the future effects of foreign currency fluctuations on our financial condition or results of operations.

We are exposed to foreign currency fluctuations because a significant portion or our sales are denominated in U.S. dollars and a significant portion of our expenses are incurred in Canadian dollars. We monitor our exposure to fluctuations between the U.S. dollar and the Canadian dollar and manage this risk by entering into foreign exchange forward contracts for our U.S. dollar receivable balances. We do not enter into foreign exchange forward contracts for speculative purposes.

In 2009, we incurred foreign exchange losses of $375,784, of which $237,317 was incurred as a result of entering into foreign exchange forward contracts. In 2009, we entered into foreign exchange forward contracts to hedge our larger U.S. dollar receivable balances. In 2010, we entered into foreign exchange forward contracts when exchange rates between the U.S. dollar and the Canadian dollar reached certain thresholds. In 2010, the volatility of foreign exchange rates between the U.S. dollar and the Canadian dollar was significantly lower than in 2009 which contributed to significantly decrease our foreign exchange losses.

We did not have any foreign exchange forward contracts outstanding at September 30, 2010, compared to one contract outstanding at September 30, 2009 with a commitment to sell $15,800 U.S. dollars on December 1, 2009 at a rate of $1.085.

Credit risk

Our credit risk is primarily attributable to our accounts receivable. Accounts receivable is disclosed in our consolidated balance sheets net of provision for bad debts, estimated based on our prior experience and assessment of the current economic environment. We believe that the credit risk of accounts receivable is limited because of our policy to receive significant upfront deposits from our customers prior to product shipment, as well as our ongoing credit evaluations of our customers.

Two customers represent approximately 48% of the accounts receivable balance at September 30, 2010, compared to two customers representing approximately 58% of the accounts receivable balance at September 30, 2009. In our view, these accounts do not represent significant credit risks.

The credit risk associated with our cash is limited because it is held with a large Canadian chartered bank with a high investment grade rating.

Interest rate risk

Our interest rate risk arises primarily from our operating loan and our loan payable, which bear interest at variable rates and exposes us to changes in debt servicing cash flows. Capital lease obligations bear interest at fixed rates.

Liquidity risk

We manage our liquidity risk through maintaining cash and access to credit facilities, as outlined above in “Liquidity and Capital Resources”.

Legal Proceedings

We are engaged in certain legal actions in the ordinary course of business and believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

Related Party Transactions

During the years ended September 30, 2010 and 2009, there were no material related party transactions.

Outstanding Share Capital

At November 25, 2010, there are 10,220,187 common shares issued and outstanding and there are no stock options outstanding.

Cautionary Note Regarding Forward-looking Statements

Certain statements in this report that are not based on historical facts constitute forward-looking statements or forward-looking information within the meaning of Canadian securities laws ("forward-looking statements"). These forward-looking statements are not promises or guarantees of future performance but are only predictions that relate to future events, conditions or circumstances or our future results, performance, achievements or developments and are subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause our actual results, performance, achievements or developments in our business or in our industry to differ materially from those expressed, anticipated or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions circumstances or results of operations that are based on assumptions about future economic conditions, courses of action and other future events. We caution you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. These forward-looking statements appear in a number of different places in this report and can be identified by words such as "may", "estimates", "projects", "expects", "intends", "believes", "plans", "anticipates", "continue", "growing", "expanding" or their negatives or other comparable words. Forward-looking statements include statements regarding the outlook for our future operations, plans and timing for the introduction or enhancement of our services and products, statements concerning strategies or developments, statements about future market conditions, supply conditions, end customer demand conditions, sales, gross profit, operating expenses, profits, forecasts of future costs and expenditures, the outcome of legal proceedings, and other expectations, intentions and plans that are not historical fact. The risk factors and uncertainties that may affect our actual results, performance, achievements or developments are many and include, amongst others, our ability to develop, manufacture, supply and market new products that we do not produce today and that meet the needs of customers, the continuous commitment of our customers and increased competition. Many of the risk factors that affect our business are beyond our control. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and we cannot assure you that the actual results, performance, achievements or developments that we anticipate will be realized. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and we do not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.