Consolidated financial statements of

Iplayco Corporation Ltd.

December 31, 2007

(Unaudited – Prepared by management, not reviewed by an auditor)

Iplayco Corporation Ltd.

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Iplayco Corporation Ltd.

(formerly Diversaflow Corporation Ltd.)

Consolidated balance sheets

		December 31 2007 (Unaudited)		September 30 2007 (Audited)
Assets				
Current				
Cash	**$**	**1,669,345**	$	780,288
Term Deposits		**-**		750,833
Accounts receivable		**566,291**		812,742
Inventory (Note 3)		**1,158,571**		1,121,309
Income taxes receivable		**94,356**		-
Prepaid expenses		**24,296**		39,292
		3,512,859		3,504,464
Capital assets (Note 4)		**373,868**		380,812
Future income taxes		**73,912**		73,912
	$	**3,960,639**	$	3,959,188
Liabilities				
Current				
Accounts payable	**$**	**790,371**	$	724,206
Income taxes payable		**-**		304,644
Customer deposits		**677,647**		206,283
Current portion of capital lease obligations (Note 5		**32,737**		35,429
		1,500,755		1,270,562
Capital lease obligations (Note 5)		**35,996**		42,363
		1,536,751		1,312,925
Shareholders' equity				
Capital stock (Note 7)		**1,593,700**		1,581,475
Contributed surplus (Note 7)		**121,169**		67,585
Retained earnings		**709,019**		997,203
		2,423,888		2,646,263
	$	**3,960,639**	$	3,959,188

Approved by the Directors

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Iplayco Corporation Ltd.

(formerly Diversaflow Corporation Ltd.)

Consolidated statements of income and retained earnings
Three months ended December 31

	2007	2006
Sales	**$ 1,803,782**	$ 2,357,998
Cost of sales	**1,305,895**	1,572,105
Gross profit	**497,887**	785,893
Expenses		
Accounting and legal	**41,824**	10,609
Advertising and promotion	**92,272**	100,005
Amortization	**23,756**	19,690
Bad debts	**1,121**	5,216
Bank charges and interest	**2,664**	8,246
Foreign exchange loss (gain)		
Realized	**(7,145)**	(55,634)
Unrealized	**46,263**	-
Insurance	**54,557**	50,849
Office	**20,061**	58,832
Rent	**76,876**	72,506
Repairs and maintenance	**24,388**	35,754
Salaries, commissions, and benefits	**393,976**	328,226
Utilities	**15,458**	13,283
	786,071	647,582
Income (loss) before income taxes	**(288,184)**	138,311
Income taxes (recovery)		
Current	**-**	47,014
Net income (loss) for the year	**(288,184)**	91,297
Retained earnings at beginning of the year	**997,203**	404,139
Retained earnings at end of the year	**$ 709,019**	$ 495,436
Earnings (loss) per share		
Basic	**$ (0.03)**	$ 0.01
Diluted	**$ (0.03)**	$ 0.01
Weighted average number of common shares		
Basic	**9,766,502**	9,686,687
Diluted	**9,766,502**	9,686,687

Iplayco Corporation Ltd.

(formerly Diversaflow Corporation Ltd.)

Consolidated statements of cash flows

Three months ended December 31

		2007		2006
Operating activities				
Net income for the year	$	**(288,184)**	$	91,297
Items not involving cash				
Amortization		**23,756**		19,690
Stock based compensation		**53,584**		-
Foreign exchange gain on translation		**46,263**		-
		(164,581)		110,987
Change in non-cash operating working capital				
Accounts receivable		**203,957**		251,366
Inventory		**(37,262)**		(14,094)
Prepaid expenses		**14,996**		(107,371)
Accounts payable		**62,396**		(263,240)
Customer deposits		**471,364**		68,104
Income taxes		**(399,000)**		47,017
		316,451		(18,218)
		151,870		92,769
Investing activities				
Sale of term deposits		**750,833**		-
Purchase of capital assets (Note 4)		**(16,812)**		(58,310)
		734,021		(58,310)
Financing activities				
Proceeds from exercise of stock options and wa		**12,225**		-
Repayment of capital lease obligations		**(9,059)**		(5,371)
		3,166		(5,371)
Change in cash during the year		**889,057**		29,088
Cash at beginning of the year		**780,288**		1,075,270
Cash at end of the year	$	**1,669,345**	$	1,104,358
Supplemental information				
Income taxes paid	$	**304,644**	$	(10,000)
Interest paid	$	**2,664**	$	30,147

Iplayco Corporation Ltd.

Notes to consolidated financial statements
December 31, 2007

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. Basis of presentation

These interim consolidated financial statements should be read in conjunction with the audited financial statements for the Company's most recently completed fiscal period ended September 30, 2007. They do not include all disclosures required in annual financial statements but rather are prepared in accordance with recommendations for interim financial statements in conformity with Canadian generally accepted accounting principles. They have been prepared using the same accounting policies and methods as those used in the September 30, 2007 accounts.

The preparation of interim financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of interim financial statements and the revenues and expenses during the reporting period. Actual results could differ from those estimates.

These interim financial statements contain all adjustments, consisting of normal recurring adjustments, necessary for fair presentation of the results for the periods reported.

3. Inventory

	December 31 2007	September 30 2007
Raw materials	**$ 926,657**	$ 1,012,408
Work in progress	**231,914**	108,901
	$ 1,158,571	$ 1,121,309

Iplayco Corporation Ltd.

Notes to consolidated financial statements
December 31, 2007

4. Capital assets

			December 31, 2007
	Cost	Accumulated amortization	Net book value
Automotive	**$ 43,870**	**$ 25,726**	**$ 18,144**
Computer equipment	**192,245**	**100,020**	**92,225**
Furniture and fixtures	**52,972**	**32,610**	**20,362**
Machinery and equipment	**171,078**	**90,248**	**80,830**
Moulds	**143,100**	**57,202**	**85,898**
Leasehold improvements	**139,745**	**63,336**	**76,409**
	$ 743,010	**$ 369,142**	**$ 373,868**

Included in capital assets at December 31, 2007 are assets under capital leases with a cost of $141,128 and a net book value of $74,320.

			September 30, 2007
	Cost	Accumulated amortization	Net book value
Automotive	$ 43,870	$ 24,255	$ 19,615
Computer equipment	191,495	92,543	98,952
Furniture and fixtures	52,526	31,546	20,980
Machinery and equipment	171,079	86,051	85,028
Moulds	127,468	50,540	76,928
Leasehold improvements	139,745	60,436	79,309
	$ 726,183	$ 345,371	$ 380,812

Included in capital assets at September 30, 2007 are assets under capital leases with a cost of 141,128 and a net book value of $96,083.

5. 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:

	December 31, 2007
2008	$ 32,784
2009	21,008
2010	17,777
2011	8,888
	80,457
Less amount representing interest at 14.57%	(11,724)
	68,733
Less current portion	(32,737)
	$ 35,996

6. Operating loan

The Company entered into a operating loan facility during the period with the Royal Bank of Canada. The new facility has a limit of $500,000 and bears interest at prime plus 0.5%. No amounts were drawn on this facility at December 31, 2007.

7. 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
Proceeds on exercise of stock options		81,000	12,225
Balance, December 31, 2007		**9,767,687**	**$ 1,593,700**

7. Capital stock (continued)

Details of contributed surplus

		December 31, 2007		September 30, 2007
Balance – Beginning of Period	**$**	**67,585**	$	67,585
Fair value of stock-based compensation		**53,584**		-
Balance – End of Period	**$**	**121,169**	$	67,585

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 December 31, 2007, the maximum number of options available to be granted under the Option Plan is 976,769 (September 30, 2007 – 968,669).

A summary of stock option and warrant activity follows:

	Stock options and warrants				
	Number		Weighted average Price		Warrants
Outstanding at September 30, 2006	455,000	$	0.40		-
Granted	80,000	$	0.15		-
Outstanding at September 30, 2007	535,000	$	0.40		-
Granted	521,500	$	0.23	$	71,446
Exercised	(81,000)	$	0.15		-
Outstanding at December 31, 2007	**975,500**	**$**	**0.31**	**$**	**71,446**

7. Capital stock (continued)

The following table summarizes information about director and employee stock options outstanding at December 31, 2007, 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
2008	**$ 0.23 - 0.40**	**975,500**	**0.8 Years**	**$ 0.31**	**975,500**	**$ 0.32**
2007	$ 0.40	455,000	1.1 Years	$ 0.40	455,000	$ 0.40
2006	$ 0.40	455,000	1.1 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 three months ended December 31, 2007 there were 521,500 (September 30, 2007 – 80,000) stock options issued with a fair value of $71,446 (September 30, 2007 - $Nil) and $53,584 credited to contributed surplus during the quarter and the $17,862 credited subsequent to the current period ended. The fair value was estimated using the Black-Scholes option pricing model with the following range of assumptions:

Risk-free interest rate	3.07%-4.33%
Expected volatility	57.18%-80.40%
Expected average life of options	1 year
Expected dividend yield	0%

Escrowed shares

During the three months ended December 31, 2007, 388,726 (September 30, 2007 – 927,455) shares were released from escrow. At December 31, 2007, 1,554,903(September 30, 2007 – 1,943,629) 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	388,726
2009	777,452
2010	388,725
	1,554,903

8. 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	284,662
2009	366,911
2010	356,955
2011	82,448
2012	22,582
	$ 1,113,558

9. Financial instruments

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

Accounts receivable with two specific customers represent approximately 47% of the balance of accounts receivable as at December 31, 2007 (September 30, 2007 – two customers represented approximately 25% 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 utilizes derivative instruments to reduce its exposure to rate changes.

10. Segmented information and concentration of sales

The Company operates in one business segment and all of the Company's assets are located in Canada.

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

	December 31, 2007	December 31, 2006
Revenues		
North America	**$ 1,447,013**	$ 1,592,615
Europe	**-**	425,743
Middle East	**66,792**	4,327
Asia Pacific	**128,156**	143,791
Latin America	**160,737**	191,522
	$ 1,802,698	$ 2,357,998

11. Subsequent Events

On February 6, 2008, the Company entered into an operating lease agreement, commencing on March 1, 2008 to February 29, 2014 with the first nine months of basic rent forgiven during the construction phase. The total minimum lease payments per annum are:

Year 1	$ 40,070
Year 2	$176,451
Year 3	$188,620
Year 4	$194,704
Year 5	$206,873
Year 6	$219,042

Additional rent based on the Company's proportionate share of all operating costs and taxes incurred by the Landlord as defined in the lease are estimated at approximately $66,930 for 2008. Included in this rent is a management fee equal to 5% of these lease and rent payments.

FORM 5l-l02Fl

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE QUARTER ENDING December 31, 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 three months ended December 31, 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 February 28, 2008 is prepared in conformity with National Instrument 51-102F1 and has subsequently been approved by the Board of Directors.

The accompanying unaudited financial statements and related notes have been in accordance with Canadian generally accepted accounting principles. These statements, together with the following management's discussion and analysis dated February 25, 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 February 28, 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

Three months ended December 31, 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 three months ended December 31, 2007 were $1,803,782, a decrease of $554,206 or 24% over the prior year.

The decrease was attributable primarily to an absence of European sales, a reduction of $475,743 from last year. In the past few years, the Company has had some success in penetrating the European market, however, this was adversely affected by the insolvency of a United Kingdom distributor affecting the current period. This decrease coupled with the downturn in the United States economy has led to an overall decrease in sales. During the period, North American sales of $1,447,013 decreased by $145,602 over the same period in 2006.

Over the past several years, strengthened agent and customer relationships resulted in continued market growth in the Middle East sales. During the period, Middle East sales of $66,792 increased by $62,465 over the same three month period in 2006.

Gross Profit

Gross profit during the three months ended December 31, 2007 decreased to $497,887 from $785,893 last year. The decreased gross profit was largely due to the lower sales volume, and increased salaries and wages; the higher salaries and wages stemmed primarily from employee bonuses paid during the quarter.

Operating Expenses

Three months ended operating costs of $786,071 were $138,489 (21%) higher than the three month period in the prior year, due primarily to an increase of $94,752 in foreign exchange losses. 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. Additionally, salaries and benefits increased by $65,750 over the prior year mainly due to an increase in stock compensation. Salaries and benefits include payroll and benefit costs for management, administrative and sales staff, and commissions.

Loss before Income Taxes

The Company experienced a loss on operations before taxes for the three months ended December 31, 2007 of $288,184, as compared with a profit of $138,311 for the comparable period in 2006; the change was attributable primarily to the decrease in the European market, additional employee compensation, and a weaker US dollar.

Income Taxes

The income statement made no provision for a tax expense, because the Company experienced a loss in the current quarter.

Net Loss

Net loss for the three month period was $288,184 ($0.03 loss per share), as compared to $91,297 ($0.01 earnings per share) in the same period last year.

The following tables reflect the financial highlights for the Company for the last eight quarterly periods.

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

	31-Dec 2007	30-Sep 2007	June 30 2007	Mar 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	Mar 31 2006
Sales	$ 1,804	$ 2,306	$ 2,897	$ 3,131	$ 2,358	$ 3,007	$ 2,160	$ 2,129
Net income (loss)	$ (288)	$ (43)	$ 331	$ 214	$ 91	$ 347	$ (1)	$ (168)
Earnings (loss) per share								
Basic	$ (0.03)	$ -	$ 0.03	$ 0.02	$ 0.01	$ 0.03	$ -	$ (0.02)
Diluted	$ (0.03)	$ -	$ 0.03	$ 0.02	$ 0.01	$ 0.03	$ -	$ (0.02)

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

The factors affecting operating results for the three months ended December 31, 2006 in comparison with the comparable period in 2005 are as discussed above ("*RESULTS OF OPERATIONS*").

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 $390,085 from the previous year. The 2007 fourth quarter loss was caused mainly by the reduced sales level and increasing 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 high gross profit was partially offset by increased expenses.

Total operating expenses of $934,238 for the three months ended June 30, 2007 increased by $125,837 (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.

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.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

Cash provided by operating activities totaled $151,870 during the three months ended December 31, 2007 as compared to $92,769 in the three months ended in the prior year. The increase was attributable mainly to additional customer deposits offset by taxes paid and a decrease in net income.

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 the period, the Company negotiated a more cost effective operating line of credit with the Royal Bank of Canada to a maximum $500,000 to facilitate dealing with short term financing issues; as at this report date the Company has not found it necessary to use the line 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.

For financial statement reporting purposes, the Company converts all non-Canadian dollar monetary balances to 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 contributed to a significant unrealized foreign exchange loss at December 31, 2007.

During the quarter, 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 expansion in foreign exchange practices have been encouraging, particularly with the realization of more favorable terms in the 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 December 31, 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, 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 offsite 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 has been necessary to partially preassemble and disassemble the play structures in the factory prior to shipping and final assembly at customer sites. This practice has 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 preassembly, and will result in increasing improvements in production efficiency.

During the first quarter the Company acquired the operations and assets of a sub contract supplier in the theme design and production business. The cost to the Company was limited to the replacement cost of tools and supplies (approximately $24,000); the proprietors (two artists) joined the staff of IPC. This expansion of the Company's design and production capacity is expected to compliment future project sales, as customers continue to request increasingly more imaginative theme concepts to be integrated into FEC designs.

The Company's management recently announced the planned development of its first 100% company owned and operated Family Entertainment Center (FEC), scheduled to open early summer 2008. This site is situated very near to the Company's head office and factory in Langley B.C., and is planned to be the first in a series of operational turn-key facilities in North America. The planned expansion is a logical extension of the Company's core business, and is expected to enhance cash flow and earnings.

The Company's management is confident that the ability to provide potential customers with ready access to a fully operating, well planned and imaginatively themed entertainment centre will prove to be a powerful marketing tool.

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	$ 284,662
2009	$ 366,911
2010	$ 356,955
2011	$ 82,448
2012	$ 22,582
	$1,113,558

An additional lease was signed on February 6, 2008 to accommodate the planned new Company owned FEC. The Company entered into an operating lease agreement, commencing on March 1, 2006 to February 29, 2014 with the first nine months of basic rent forgiven during the construction phase. The total minimum lease payments per annum are:

Year 1	$ 41,070
Year 2	$176,451
Year 3	$188,620
Year 4	$194,704
Year 5	$206,873
Year 6	$219,042

Additional rent based on the Company's proportionate share of all operating costs and taxes incurred by the Landlord as defined in the lease are estimated at approximately $66,930 for 2008. Included in this rent is a management fee equal to 5% of these lease and rent payments.

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 December 31, 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 payable, and accounts receivable approximates current 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 three months ended December 31, 2007 the Company issued 81,000 shares upon the exercise of stock options ranging from $0.15 to $0.23 per share.

   (b) Summary of options granted during the period:

   During the three months ended December 31, 2007, 521,500 stock options were granted to employees to purchase common shares at $0.23 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: 9,767,687

   (c) Summary of Options, Warrants and Securities outstanding

   As at December 31, 2007, there were 455,000 outstanding stock options, exercisable at $0.40 per share, expiring on November 28, 2008, and 520,500 outstanding stock options exercisable at $0.23 per share, expiring on October 5, 2008.

   (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 December 31, 2007 is 1,554,903 common shares, representing approximately 16 % of the class.

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