Consolidated financial statements of

Iplayco Corporation Ltd.

December 31, 2008

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

Iplayco Corporation Ltd.

Table of contents

Iplayco Corporation Ltd.
Consolidated balance sheets

	31-Dec-08	30-Sep-08
Assets		
Current		
Cash	$ **499,100**	$ 1,163,028
Term Deposits	**-**	400,000
Accounts receivable	**2,012,873**	1,444,557
Inventory (Note 4)	**1,144,946**	1,370,581
Income taxes receivable	**-**	55,165
Prepaid expenses	**159,565**	154,526
	3,816,484	4,587,857
Property, plant, and equipment (Note 5)	**2,312,908**	1,394,731
Future income taxes	**92,291**	92,289
	$ **6,221,683**	$ 6,074,877
Liabilities		
Current		
Accounts payable	$ **1,816,896**	$ 1,459,163
Income taxes payable	**46,985**	-
Customer deposits	**354,509**	899,548
Non-hedging financial derivatives (Note 13)	**4,468**	30,000
Current portion of rent inducement (Note 11)	**22,817**	22,817
Current portion of capital lease obligations (Note 6)	**87,747**	72,334
Loan payable (Note 7)	**444,444**	486,111
	2,777,866	2,969,973
Rent inducement (Note 11)	**95,070**	59,704
Capital lease obligations (Note 6)	**238,025**	247,683
	3,110,961	3,277,360
Shareholders' equity		
Capital stock (Note 9)	**1,746,683**	1,619,539
Contributed surplus (Note 10)	**87,861**	129,167
Retained earnings	**1,276,178**	1,048,811
	3,110,722	2,797,517
	$ **6,221,683**	$ 6,074,877

Approved by the Directors

"Franco Aquila"

"Terence Forbes"

Iplayco Corporation Ltd.

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

		2008	2007
Sales	**$**	**3,463,146**	$ 1,803,782
Cost of sales		**2,064,076**	1,305,895
Gross profit		**1,399,070**	497,887
Expenses			
Accounting and legal		**62,968**	41,824
Advertising and promotion		**105,958**	92,272
Amortization		**35,473**	23,756
Bad debts		**39,078**	1,121
Bank charges and interest		**21,485**	2,664
Foreign exchange loss			
Realized		**245,844**	(7,145)
Unrealized		**(27,950)**	46,263
Insurance		**91,018**	54,557
Office		**25,338**	20,061
Rent		**136,996**	76,876
Repairs and maintenance		**26,189**	24,388
Salaries, commissions, and benefits		**289,860**	393,976
Utilities		**17,296**	15,458
		1,069,553	786,071
Income before income taxes		**329,517**	(288,184)
Income taxes (recovery)			
Current		**102,150**	-
Net income (loss) for the year		**227,367**	(288,184)
Retained earnings at beginning of the year		**1,048,811**	997,203
Retained earnings at end of the period	**$**	**1,276,178**	$ 709,019
Earnings per share			
Basic	**$**	**0.02**	$ (0.03)
Diluted	**$**	**0.02**	$ (0.03)
Weighted average number of common shares			
Basic		**10,191,144**	9,766,502
Diluted		**10,191,144**	9,766,502

Iplayco Corporation Ltd.

Consolidated statements of cash flows
Three months ended December 31

	2008	2007
Operating activities		
Net income for the year	**$ 227,367**	$ (288,184)
Items not involving cash		
Amortization	**35,473**	23,756
Non-hedging financial derivatives	**25,532**	-
Rent inducement	**35,366**	53,584
Unrealized foreign exchange (gain) loss	**(53,482)**	46,263
	270,256	(164,581)
Change in non-cash operating working capital		
Accounts receivable	**(565,900)**	203,957
Inventory	**225,635**	(37,262)
Prepaid expenses	**(5,039)**	14,996
Accounts payable	**357,733**	62,396
Customer deposits	**(545,039)**	471,364
Income taxes	**102,150**	(399,000)
	(430,460)	316,451
	(160,204)	151,870
Investing activities		
Net change in term deposits	**400,000**	750,833
Purchase of capital assets (Note 5)	**(924,287)**	(16,812)
	(524,287)	734,021
Financing activities		
Proceeds from exercise of stock options and warrants (Note 9)	**85,838**	12,225
Repayment of bank loan	**(41,667)**	-
Repayment of capital lease obligations	**(23,608)**	(9,059)
	20,563	3,166
Change in cash during the year	**(663,928)**	889,057
Cash at beginning of the year	**1,163,028**	780,288
Cash at end of the period	**$ 499,100**	$ 1,669,345
Supplemental information		
Income taxes paid	**$ -**	$ 304,644
Interest paid	**$ 21,485**	$ 2,664

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. In addition to it's manufacturing activities, the Company (through OPC) also operates a family entertainment business in a recently opened facility 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, 2008. 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, 2008 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. Recent accounting pronouncements

<u>General Standards of Financial Statement Presentation (Section 1400)</u>

Section 1400, requires an entity to assess and discuss an entity's ability to continue as a going concern. This Section is applicable for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2008.

<u>Inventories (Section 3031)</u>

Section 3031, provides more guidance on the measurement and disclosure requirements for inventories. This Section is applicable to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

The Company will adopt these new standards for its fiscal year beginning October 1, 2008 and is currently evaluating the impact on the adoption of these new Sections in it consolidated financial statements.

3. Recent accounting pronouncements (continued)

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian Generally Accepted Accounting Principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2011. The transition date of 1 January 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended 30 September 2010. The Company is currently evaluating the impact of the adoption of IFRS on its consolidated financial statements.

4. Inventory

	December 31 2008	September 30 2008
Raw materials	**$ 1,070,773**	$ 1,053,918
Finished goods	**-**	140,542
Work in progress	**74,173**	176,121
	$ 1,144,946	$ 1,370,581

5. Property, Plant, and Equipment

		December 31, 2008	
	Cost	**Accumulated amortization**	**Net book value**
Automotive	**$ 43,870**	**$ 31,169**	**$ 12,701**
Computer equipment	**326,229**	**129,898**	**196,331**
Furniture and fixtures	**123,314**	**37,215**	**86,099**
Machinery and equipment	**1,407,273**	**124,494**	**1,282,779**
Moulds	**173,291**	**90,696**	**82,595**
Leasehold improvements	**728,974**	**76,571**	**652,403**
	$ 2,802,951	**$ 490,043**	**$ 2,312,908**

During the quarter ended December 31, 2008 the Company acquired property, plant and equipment totalling $924,287, $29,363 by means of capital leases and $894,924 by means of cash. Included in capital assets at December 31, 2008 are assets under capital leases with a cost of $449,481 and a net book value of $370,754.

5. Property, Plant, and Equipment (continued)

	September 30, 2008		
	Cost	Accumulated amortization	Net book value
Automotive	$ 43,870	$ 30,139	$ 13,731
Computer equipment	288,374	123,201	165,173
Furniture and fixtures	132,715	36,693	96,022
Machinery and equipment	638,152	109,438	528,714
Moulds	191,532	83,013	108,519
Leasehold improvements	459,951	72,086	387,865
Asset under construction	94,707	-	94,707
	$ 1,849,301	$ 454,570	$ 1,394,731

During the year ended September 30, 2008 the Company acquired property, plant and equipment totalling $1,123,118, $282,730 by means of capital leases and $840,609 by means of cash. Included in property, plant and equipment at September 30, 2008 are assets under capital leases with a cost of $423,041 and a net book value of $351,424.

Included in property, plant and equipment as at September 30, 2008 are assets with a carrying amount of $998,815 related to the Family Entertainment Centre which was under construction at this date. Amortization on these assets commenced in December 2008 when construction was completed.

6. Capital lease obligations

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

	December 31, 2008
2009	$ 82,535
2010	110,047
2011	107,706
2012	81,036
2013	23,931
	405,255
Less amount representing interest at 11.50%	(79,483)
	325,772
Less current portion	(87,747)
	$ 238,025

	September 30, 2008
2009	$ 102,905
2010	100,550
2011	91,662
2012	76,736
2013	23,969
	395,822
Less amount representing interest at 11.62%	(75,805)
	320,017
Less current portion	(72,334)
	$ 247,683

7. Loan payable

Royal Bank of Canada loan repayable in monthly installments of $13,889 plus interest at prime plus 1%, repayable in full August 2009, secured by a general security agreement. The Company expects to refinance the facility.

8. Operating Loan

The Royal Bank of Canada operating loan facility has a limit of $500,000, subject to certain margin requirements, bears interest at prime plus 0.5% and is secured by a general security agreement. No amounts were drawn on this facility at December 31, 2008 and September 30, 2008.

9. 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, 2007	9,686,687	$	1,581,475
Proceeds on exercise of stock options	152,000		28,200
Fair value of options exercised during the year	-		9,864
Balance, September 30, 2008	9,838,687	$	1,619,539
Proceeds on exercise of stock options	381,500		85,838
Fair value of options exercised during the year	-		41,306
Balance, December 31, 2008	**10,220,187**	**$**	**1,746,683**

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 Directors, 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, 2008, the maximum number of options allowable to be granted under the Option Plan is 1,022,018 (September 30, 2008 – 983,869).

A summary of stock option and warrant activity follows:

	Stock options and warrants		
	Number		Weighted average Price
Outstanding at September 30, 2007	535,000	$	0.40
Granted	521,500	$	0.23
Exercised	(152,000)	$	0.19
Outstanding at September 30, 2008	904,500	$	0.31
Exercised	(381,500)	$	0.23
Expired	(523,000)	$	0.39
Outstanding at December 31, 2008	**-**	**$**	**-**

9. Capital stock (continued)

Stock options and warrants – (continued)

The following table summarizes information about director and employee stock options outstanding at December 31, 2008 and September 30, 2008:

		Options Outstanding			Options Exercisable	
	Exercise prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Dec, 2008	**$ 0.00 - 0.00**	**-**	**0.0 Years**	**$ -**	**-**	**$ -**
Sep, 2008	$ 0.22 - 0.40	904,500	0.2 Years	$ 0.31	904,500	$ 0.31

The Company uses the fair value method to account for stock options and warrants granted to employees and consultants. During the quarter ended December 31, 2008 there were no stock options issued. During the year ended September 30, 2008, 521,500 stock options were issued with a fair value of $71,446 credited to contributed surplus. 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 quarter ended December 31, 2008, 388,726 (September 30, 2008 – 777,452) shares were released from escrow. At September 30, 2008, 777,451 (September 30, 2008 – 1,166,177) 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:

2009	388,726
2010	388,725
	777,451

Iplayco Corporation Ltd.
Notes to consolidated financial statements
December 31, 2008

10. Contributed surplus

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

		December 31 2008		September 30 2008
Opening balance	**$**	**129,167**	$	67,585
Compensation expense		**-**		71,446
Options exercised		**(41,306)**		(9,864)
Closing balance	**$**	**87,861**	$	129,167

11. Commitments

The Company leases premises and certain equipment under long-term operating lease agreements that expire at various dates. Future minimum lease payments aggregate $2,014,433 and include the following amounts payable over the next five years, including estimated occupancy costs:

2009	446,925
2010	600,796
2011	348,438
2012	290,565
2013	236,442
	$ 1,923,166

On February 6, 2008, the Company entered into an operating lease agreement, for the purposes of operating a Family Entertainment Centre, commencing on March 1, 2008 to February 29, 2014 with the first ten months of basic rent forgiven. The rent inducement of $117,887 has been recognized in these financial statements and will be recognized into income on a straight-line basis over the term of the lease.

12. Contingent Liability

During the quarter ended December 31, 2008, the Company accumulated a bonus liability of approximately $62,500 contingent upon $100,000 in profit attained annually, to be paid annually. This amount has not been included in these financial statements.

13. Financial instruments and risk management

(a) Classification of financial instruments and fair value

The following table summarizes information relating to the Company's financial instruments for the periods ending December31, 2008 and September 30, 2008

Class of Financial Instruments	Consolidated Balance Sheet Categories Included	Carrying Amount	
		December 31, 2008	September 30, 2008
Held for trading financial assets	Cash and term deposits	**$ 499,100**	$ 1,563,028
Loans and receivables	Accounts receivable	**2,012,873**	1,444,557
Other liabilities	Accounts payable and loan payable	**2,261,340**	1,945,274
Non-hedging financial derivatives designated as held for trading	Non-hedging financial derivatives – liability	**4,468**	30,000

The carrying values of cash, term deposits, 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.

The carrying value of non-hedging financial derivatives is equivalent to its fair value which was determined using observable market inputs.

(b) Risks and risk management

Financial instruments may expose the Company to a number of financial risks, including market risk (interest rate risk and currency risk), credit risk and liquidity risk. The Company'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 Company's financial instruments and the Company'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 Company's interest rate risk arises primarily from its long-term debt which bears interest at variable rates which exposes the Company to changes in its debt servicing cash flows. The Company also has an operating loan which is subject to variable interest rates; however, no amounts were drawn on this facility during the quarters ended December 31, 2008 and September 31, 2008. Capital lease obligations bear interest at fixed rates.

The Company 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.

A sensitivity analysis for interest rate risk has not been performed for the quarter ended December 31, 2008 as the effect of a change in interest rates would have been minimal as the loan payable (Note 7) as repayments only began in September 2008 and the Company did not use their operating line during fiscal 2008.

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 Company 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 Company manages this risk by entering into foreign exchange forward contracts.

At December 31, 2008 the Company has a commitment to sell $1,244,444 of U.S. dollars at a weighted average rate of $1.232 at various dates up to March 31, 2009.

The fair value of these outstanding contracts at December 31, 2008 is a liability of $4,468 and is recorded as an unrealized foreign exchange loss in the consolidated statement of income.

A sensitivity analysis has been performed assuming the foreign exchange rate changes by 5% as at December 31, 2008. For every 5% weakening of the U.S. dollar against the Canadian dollar, with all other variables held constant, net income and comprehensive income would decrease by $40,000. A strengthening 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, term deposits, and accounts receivable on the consolidated balance sheet represent the Company's maximum exposure to credit risk.

The Company'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 Company 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 specific customers represent approximately 51% of the balance of accounts receivable as at December 31, 2008 (September 30, 2008 – two customers represented approximately 59% 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 Company's cash is limited because these financial assets are held through large Canadian financial institutions with a high investment grade rating.

The Company’s aging of accounts receivable is as follows:

	December 31, 2008	September 30, 2008
Trade receivables		
Current	**$ 305,661**	$ 413,005
Aged between 31 – 60 days	**1,008,922**	800,755
Aged between 61 – 90 days	**324,793**	556
Aged greater than 90 days	**382,189**	179,734
	2,021,565	1,394,050
Other receivables	**33,856**	53,977
Allowance for doubtful accounts	**(42,548)**	(3,470)
	$ 2,012,873	$ 1,444,557

Changes in the Company’s allowance for doubtful accounts are as follows:

	December 31, 2008	September 30, 2008
Opening balance	**$ 3,470**	$ 136,203
Write-offs	**-**	(133,557)
Recovered	**-**	(2,646)
Increase in allowance	**39,078**	3,470
Closing balance	**$ 42,548**	$ 3,470

(ii) Liquidity risk

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

The Company's contractual maturities of its financial liabilities as at December 31, 2008 are as follows:

	Carrying amount	Contractual Cash Flow Obligations (1)	0 to 6 Months	6 to 12 Months	12 to 24 Months	After 24 Months
Accounts payable	1,816,896	1,816,896	1,816,896	-	-	-
Capital lease obligations	325,772	398,708	55,023	55,025	110,046	178,614
Loans payable	444,444	465,555	87,292	378,263	-	-
	$ 2,587,112	$ 2,681,159	$1,959,211	$ 433,287	$ 110,046	$ 178,614

(1) Includes interest

14. Segmented information and concentration of sales

(a) Business segments

The Company operates in two business segments: manufacturing custom designed children's indoor and outdoor play structures and a family entertainment centre. No significant revenues have been derived from the family entertainment centre as it opened December 2008. Inter-segment transactions are eliminated on consolidation.

Information related to the two business segments operations for the quarter ended December 31, 2008 is as follows:

	Manufacturing	**Family Entertainment Centre**	**Total**
Sales	$ 3,446,199	$ 16,947	$ 3,463,146
Cost of sales	2,010,298	53,778	2,064,076
Gross profit	1,435,901	(36,831)	1,399,070
Operating Expenses	988,737	80,816	1,069,553
Income (Loss) before income taxes	447,164	(117,647)	329,517

(b) Geographic and customer information

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, 2008		December 30, 2007
Revenues				
North America	**$**	**2,173,775**	$	1,447,013
Europe		**176,898**		-
Middle East		**1,035,260**		66,792
Asia Pacific		**8,860**		128,156
Latin America		**68,353**		160,737
	$	**3,463,146**	$	1,802,698

During the quarter ended December 31, 2008, one customer accounted for 25% of the Company's total revenues.

15. Capital Disclosure

The Company's capital consists of shareholders' equity, capital leases obligations, long-term debt and an operating loan. The Company's objective when managing its capital is to safeguard the Company'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 2008, the Company funded its operations from internally generated cash flows and utilized new capital leases and term debt facilities to fund start up costs and expenditures related to the new Family Entertainment Centre (Note 14).

The Company 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.

14. Subsequent Events

On January 14, 2009 991,500 options were issued with a fair value of $179,957 for one year.

FORM 5l-l02Fl

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE QUARTER ENDING December 31, 2008

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, 2008 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 23, 2009 is prepared in conformity with National Instrument 51-102F1 and has subsequently been approved by the Board of Directors.

The accompanying 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 23, 2009 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 regarding the Company can be found on SEDAR at www.sedar.com. All amounts are stated in CDN dollars.

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 23, 2009 and should be read in conjunction with the Company's September 30, 2008 year end audited consolidated financial statements, and the accompanying financial statements for the three months ended December 31, 2008.

Forward – Looking Statements

The Company's Annual Report and 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, 2008 and 2007

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 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. Over the past several years, there has been an increasing customer demand for significantly larger, more complex and more costly structures.

Sales for the three months ended December 31, 2008 were $3,463,146, an increase of $1,659,364 from the prior year.

The increase during the first quarter of 2009 was attributable primarily to higher Middle Eastern sales (up by $968,468) and higher North American sales (up by $726,762), reflecting the effects of stronger Middle East markets, despite the general weakening of global economic conditions during 2008.

Gross Profit

Gross profit during the period increased to $1,399,070 from $497,887 last year. Gross profits during the first quarter of 2009 were 40% of sales, as compared with 28% in 2008. The higher gross margin in 2009 was the result of higher total sales volume, and the favorable profit margin realized on larger sales (approximately $1,746,000) to six customers; larger projects generally provide a greater opportunity for the Company to realize higher gross margins.

Operating Expenses

Three months ended operating costs of $1,069,553 were $283,482 (36%) higher than the prior year, due primarily to increased foreign exchange losses (up by $178,776) and bad debt write downs (up by $37,957). A substantial portion of the Company's sales are settled in US dollars. The weakening of the Canadian dollar versus the US dollar during the latter part of 2008 was a major contributor to the foreign exchange losses, because of forward foreign exchange contracts negotiated earlier in 2008, when the US and Canadian dollars had been closer to par. The increase in bad debt during 2009 was due to the provision for non collection of a single customer in the US. The rent (higher by $60,120), bank charges and interest (higher by $18,821) increase is attributable to the addition of the first location of a new retail family entertainment division ("The Great Escape") that opened in December, 2008.

Insurance expense of $91,018 for the three months ended December 31, 2008 included the premium costs for product liability, property loss, directors and officers' liability coverage, key man insurance, and a provision for the settlement of injury claims. The major portion of insurance costs result from product liability premiums because of the volume of the Company's sales into the US and the generally litigious nature of doing business in the US.

Income before Income Taxes

Income before taxes for the three months ended December 31, 2008 of $329,517 increased by $617,701 over last year. The improvement in operating results for the year is due mainly to larger dollar sales that reflect a higher profit margin.

Income Taxes

The income statement provided for a $102,150 current income tax expense. The company's accounting policies with respect to income taxes are described in Notes 3 and 12 in the accompanying notes to the September 30, 2008 audited consolidated financial statements.

Net Income

Net income for the three months ended was $227,367 ($0.02 earnings per share), as compared to a net loss of $288,184 ($0.03 loss per share) last year.

The following table reflects the financial highlights for the Company for the last eight quarterly periods.

Summary of Quarterly Results

($000 except earnings per share)

	Dec 31 2008	Sep 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007
Sales	$ 3,463	$ 3,838	$ 1,334	$ 2,167	$ 1,804	$ 2,306	$ 2,897	$ 3,131
Net income (loss)	$ 227	$ 539	$ (459)	$ 255	$ (288)	$ (43)	$ 331	$ 214
Earnings (loss) per share								
Basic	$ 0.02	$ 0.06	$ (0.05)	$ 0.03	$ (0.03)	$0.00	$ 0.03	$ 0.02
Diluted	$ 0.02	$ 0.06	$ (0.05)	$ 0.03	$ (0.03)	$0.00	$ 0.03	$ 0.02

Fourth Quarter Ended September 30, 2008 Compared to the Previous Year

Total sales of $3,838,358 during the three month period ended September 30, 2008 increased by $1,531,985 (66%) over the comparable period in 2007. The increase was attributable mainly to shipments into the US, as a backlog of client requested shipment delays was cleared.

The income during the fourth quarter of 2008 was $539,000, an increase of $582,000 from the previous year. The 2008 fourth quarter gain was mainly a result of increased sales, lower foreign exchange losses, the absence of significant bad debt expenses, and offset by an increase in rent expense related to the new retail operations.

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. During the year, the Company expanded its foreign exchange risk management policies; current practices include using forward foreign exchange contracts.

Third Quarter Ended June 30, 2008 Compared to the Previous Year

For the three month period ended June 30, 2008 total sales of $1,333,742 decreased by 54% in comparison to $2,896,885 for the same three month period in 2007. Decreased sales into North America related to a backlog of customer orders where customers requested shipment delays and the effects of a downturn in the United States economy. The gross profit was respectively lower and partially offset by decreased salary expenses and reduced foreign exchange losses.

Second Quarter Ended March 31, 2008 Compared to the Previous Year

Sales for three months ended March 31, 2008 were $2,167,310, a decrease of $963,562 (31%) over the prior year, due to an absence of sales in the Mid East. The Company earned a profit of $324,025 for the comparable period in 2007; the $68,794 decrease was due to lower sales and gross profit in 2008 offset largely by lower operating expenses.

First Quarter Ended December 31, 2007 Compared to the Previous Year

Sales for three months ended December 31, 2007 were $1,803,782, a decrease of $554,206 or 24% over 2006. The decrease was attributable primarily to an absence of European sales, and lower North America sales sparked by the downturn in the United States economy. During the three months ended December 1, 2007, the Company experienced a loss on operations before taxes 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.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

Cash utilized for operating activities totaled $160,204 during the three months ended December 31, 2008 compared to cash provided by operating activities $151,870 in 2007. The decrease during 2008 was attributable mainly to the increases in accounts receivable, decreases in customer deposits, and increases in foreign exchanges losses, partially offset by increased accounts payable, decreased inventory and increased income taxes payable.

Cash provided by financing activities in the form of a $400,000 term deposit redemption, was offset by the $924,287 purchase of property, plant and equipment, primarily for the new family entertainment centre retail location.

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; the terms of payment in customer contracts stipulate that deposits received are non-refundable.

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.

The Company’s future plans include the development of 100% owned and operated Family Entertainment Centers (“FEC’s”). In December 2008, the first owned and operated FEC was opened in Langley B.C, at a location near the Company's head office and factory. This location will provide a showcase for the Company's products, and the additional revenues are expected to generate increased Company profits and cash flow.

The Company has entered into the following two loan facilities with the Royal Bank of Canada:

An operating line of credit with a limit of $500,000, bearing interest at prime plus 0.5%; this facility was arranged to accommodate the short term revolving cash requirements of the Company's day to day operations; as at this report date this line of credit has not been utilized.

A non-revolving loan in the amount of $500,000, repayable over 36 months, bearing interest at prime plus 1% was arranged to assist the start up costs related to the new retail location. As at this report date, the Company has found it necessary to use this facility to purchase capital assets for the new retail location. The loan is due in full in August 2009, at which time the Company expects to refinance it. $41,667 has been repaid to December 31, 2008.

Management expects to meet its operating cash requirements through fiscal 2009, including required working capital investments, capital expenditures, and currently scheduled repayments of debt, from cash on hand, committed borrowing capacity, and positive cash flows from both manufacturing and the new retail operations.

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 fluctuations 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 reporting purposes, the Company converts all non-Canadian dollar monetary balances to balances on hand at the fiscal period ends, at the prevailing exchange rates. The resulting conversion gives rise to unrealized foreign exchange gains or losses, depending on the exchanges rate in effect.

To minimize exposure to foreign exchange fluctuations, the Company utilizes forward foreign exchange contracts, and monitoring of exchange rates for the negotiation of currency spot rates.

OUTLOOK

The Company's sales group is continuously enhancing its marketing activities through increased attendance at trade shows, website upgrades, and monitoring of the effectiveness of product advertising.

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 and a more challenging competitive environment. These factors combined will require the Company to effectively manage operating costs while growing its overall business. 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 in both its manufacturing and retail divisions.

The first retail Family Entertainment Center location opened in December 2008. This expansion is a logical extension of the Company's core business, and is expected to enhance and stabilize earnings and cash flow. 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 and increase profitability. The Langley center, which will serve as a family entertainment staff training centre, is planned to be the first in a series of operational turn-key facilities in North America.

Commitments

The Company leases premises and certain equipment under long-term operating lease agreements that expire at various dates. Future minimum lease payments aggregate $2,014,433 and include the following amounts payable over the next five years, including estimated occupancy costs:

2009	446,925
2010	600,796
2011	348,438
2012	290,565
2013	236,442
	$ 1,923,166

On February 6, 2008, the Company entered into a new operating lease agreement for the family entertainment center, commencing on March 1, 2008 to February 29, 2014 with the first ten months of basic rent forgiven during the construction period.

OFF-BALANCE SHEET ARRANGEMENTS

There are currently no off balance sheet arrangements.

LEGAL PROCEEDINGS

There are several unsettled claims arising from injuries sustained at U.S. customer sites, for which at December 31, 2008, the Company made a possible loss provision in the financial statements. The provision is not material, and is considered adequate as at the date of this report.

Segmented Information

The Company operates in two business segments; the manufacture of custom designed children's playground equipment, and the operations of a family entertainment center, which opened for business in December 2008. Additional information relating to the two segments is contained in note 14 of the of the accompanying notes to consolidated financial statements December 31, 2008 and 2007.

EXECUTIVE COMPENSATION

Summary Compensation Table

Name and principal position	Year	Salary	Option-based awards ($)	Annual incentive plans	Other Compensation ($)	Total Compensation ($)
Franco Aquila -CEO	2007	161,503	nil	90,734		252,237
	2008	169,575	8,400	69,781		247,756
Scott Forbes -President	2007	161,503	nil	90,734		252,237
	2008	169,575	8,400	69,781		247,756
Robert Adanac -CFO	2007	104,593	nil			104,593
	2008	115,052	1,400			116,452
Terence Forbes - Exec VP	2007	52,714	nil			52,714
	2008	55,351	1,400			56,751
Mark Neal -Director	2007		nil			
	2008		11,200		2,400	13,600
David Perkins - Director	2007		nil			
	2008		22,400		2,400	24,800
David Wood - Director and chairman	2007		nil			
	2008		$ 11,200		$ 2,400	$ 13,600

CONTINGENT LIABILITIES

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

FINANCIAL INSTRUMENTS

The Company's utilization of financial instruments are described in note 13 of the accompanying Notes to consolidated financial statements December 31, 2008 and 2007.

RISKS AND UNCERTAINTIES

The global nature of this business involves a high degree of risk with global markets weakening and the onset of a recession. The Company has attempted to limit this risk by targeting an additional segment of the retail market in an effort to tap additional sales and showcase the Company's products.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined by NI 52-109 may result in additional risks to the quality, transparency and timeliness of filings and other reports provided under securities legislation.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2010.

SHARE DATA

1. Summary of securities issued and options granted.

   (a) Summary of securities issued during the period: during the period ended December 31, 2008 the Company issued the following securities:

   381,500 common shares on the exercise of stock options

   (b) Summary of options granted during the period:

   During the period ended December 31, 2008, no stock options were granted.

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: 10,220,187

(c) Summary of Options, Warrants and Securities outstanding

As at December 31, 2008 there were no outstanding stock options.

Subsequent to December 31, 2008, the Directors approved the issue of 991,500 stock options, exercisable at $0.255 per share and having a fair value of $179,957, expiring on January 14, 2010.

(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, 2008 is 777,451 common shares, representing approximately 8 % 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:

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

Approved on behalf of the Board

"Scott Forbes"
Scott Forbes, President and Director

"Franco Aquila"
Franco Aquila, CEO and Director