Consolidated Interim Financial Statements of

IPLAYCO CORPORATION LTD.

March 31, 2007

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

TABLE OF CONTENTS

Iplayco Corporation Ltd.
CONSOLIDATED BALANCE SHEETS

		Mar 31 2007 (Unaudited)		Sep 30 2006
ASSETS				
Current				
Cash	$	**1,246,249**	$	**1,075,270**
Accounts receivables		**1,104,788**		**938,316**
Inventory (Note 3)		**1,077,520**		**1,085,149**
Income taxes receivable		**-**		**10,000**
Prepaid expenses		**59,583**		**56,518**
		3,488,140		**3,165,253**
Capital assets (Note 4)		**365,146**		**319,733**
Future income taxes (Note 11)		**90,889**		**90,889**
	$	**3,944,175**	$	**3,575,875**
LIABILITIES				
Current				
Accounts payable	$	**1,088,555**	$	**817,765**
Income tax payable		**149,050**		**-**
Customer deposits		**313,722**		**659,663**
Current portion of capital lease (Note 5)		**19,044**		**20,333**
		1,570,371		**1,497,761**
Capital lease obligations (Note 5)		**15,463**		**24,915**
		1,585,834		**1,522,676**
Capital stock (Note 7a)		**1,581,475**		**1,581,475**
Contributed surplus (Note 8)		**67,585**		**67,585**
Retained earnings		**709,281**		**404,139**
		2,358,341		**2,053,199**
	$	**3,944,175**	$	**3,575,875**

Approved by the Directors

Mark Neale

Franco Aquila

Iplayco Corporation Ltd.

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CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
Second Quarter Ended March 31
(Unaudited)

	3 months ended		6 months ended	
	2007	2006	**2007**	2006
Sales	$ **3,130,872**	$ 2,129,263	$ **5,488,870**	$ 5,232,490
Cost of sales	**1,798,937**	1,608,069	**3,371,042**	3,898,571
Gross Profit	**1,331,935**	521,194	**2,117,828**	1,333,919
Expenses				
Accounting and legal	**55,197**	34,965	**65,806**	38,465
Advertising and promotion	**94,498**	103,314	**194,528**	188,643
Amortization	**22,415**	16,202	**42,105**	31,812
Bad debts	**(230)**	(1,926)	**4,986**	16,139
Bank charges and interest	**6,146**	6,441	**14,392**	17,575
Foreign exchange loss	**21,405**	19,205	**(34,229)**	10,174
Insurance	**51,782**	53,642	**102,632**	154,205
Office	**(1,640)**	33,319	**57,192**	66,712
Rent	**84,550**	71,813	**157,031**	152,162
Repairs and maintenance	**26,075**	28,172	**61,829**	55,352
Salaries and benefits	**627,755**	382,928	**955,981**	795,763
Utilities	**19,957**	21,231	**33,239**	35,846
	1,007,910	769,306	**1,655,492**	1,562,848
Income (loss) on operations	**324,025**	(248,112)	**462,336**	(228,929)
Provision for tax expense (recovery)	**110,180**	(80,125)	**157,194**	(80,125)
Income (loss) for the period	**213,845**	(167,987)	**305,142**	(148,804)
Retained earnings at beginning of the period	**495,436**	224,050	**404,139**	204,867
Retained earnings at end of the period	$ **709,281**	$ 56,063	$ **709,281**	$ 56,063
Earnings (loss) per share				
Basic	$ **0.02**	$ (0.02)	$ **0.03**	$ (0.02)
Diluted	$ **0.02**	$ (0.02)	$ **0.03**	$ (0.02)
Weighted average number of common shares				
Basic	9,686,687	9,686,687	9,686,687	9,686,687
Diluted	9,686,687	9,686,687	9,686,687	9,686,687

Iplayco Corporation Ltd.

CONSOLIDATED STATEMENTS OF CASHFLOWS
Second Quarter Ended March 31
(Unaudited)

	3 months ended 2007	3 months ended 2006	6 months ended 2007	6 months ended 2006
Operating activities				
Net income (loss) for the period	$ **213,845**	$ (167,987)	$ **305,142**	$ (148,804)
Items not involving cash				
Amortization	**22,415**	16,202	**42,105**	31,812
	236,260	(151,785)	**347,247**	(116,992)
Change on non-cash operating working capital				
Accounts receivable	**(417,837)**	492,629	**(227,135)**	858,140
Inventory	**21,723**	(106,727)	**(12,954)**	(40,576)
Prepaid expenses	**104,306**	2,555	**64,371**	6,513
Future income taxes	**-**	(80,125)	**-**	(80,125)
Income tax receivable	**-**	-	**10,000**	-
Income tax payable	**112,033**	(4,361)	**149,050**	(144,361)
Accounts payable	**534,029**	(523,145)	**309,177**	(380,150)
Customers' deposits	**(414,046)**	53,644	**(370,543)**	(188,292)
	(59,792)	(165,530)	**(78,034)**	31,149
	176,468	(317,315)	**269,213**	(85,843)
Investing activities				
Purchase of capital assets	**(29,207)**	(11,821)	**(87,494)**	(28,730)
	(29,207)	(11,821)	**(87,494)**	(28,730)
Financing activities				
Repayment of capital lease obligations	**(5,370)**	(5,430)	**(10,741)**	(10,859)
	(5,370)	(5,430)	**(10,741)**	(10,859)
Change in cash during period	**141,891**	**(334,566)**	**170,978**	**(125,432)**
Cash at beginning of the period	**1,104,358**	727,901	**1,075,271**	518,767
Cash at end of the period	$ **1,246,249**	$ 393,335	$ **1,246,249**	$ 393,335

Iplayco Corporation Ltd.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Six months ended March 31, 2007
(Unaudited)

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 has achieved recognition as a significant worldwide supplier of custom designed children's indoor play structures. OPC was established as an expansion into the children's outdoor play equipment market. Both IPC and OPC conduct their design, manufacturing and marketing activities at the Company's head office location 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, 2006. 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, 2006 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 the 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

	March 31 2007	September 30 2006
Raw materials	**$ 941,981**	$ 908,208
Work in progress	**$ 135,539**	$ 176,941
	$ 1,077,520	$ 1,085,149

4. CAPITAL ASSETS

	March 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Automotive	$ 43,870	$ 20,052	$ 23,818
Computer equipment	182,217	72,520	109,697
Furniture and fixtures	52,526	28,924	23,602
Machinery and equipment	171,103	75,546	95,557
Moulds	67,090	39,728	27,362
Leasehold improvements	139,745	54,636	85,109
	$ 656,551	$ 291,406	$ 365,146

Included in capital assets at March 31, 2007 are assets under capital leases with a cost of $80,271 and a net book value of $49,635.

	September 30, 2006		
	Cost	Accumulated Amortization	Net Book Value
Automotive	$ 43,870	$ 15,848	$ 28,022
Computer equipment	117,380	57,849	59,531
Furniture and fixtures	53,344	27,038	26,306
Machinery and equipment	166,839	64,467	102,372
Moulds	47,855	35,261	12,594
Leasehold improvements	139,745	48,837	90,908
	$ 569,033	$ 249,300	$ 319,733

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

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:

2007	$ 19,815
2008	19,815
2009	2,469
	42,099
Less amount representing interest at 11.67%	(7,592)
	34,507
Less current portion	(19,044)
	$ 15,463

6. OPERATING LOAN

The Company has an operating loan facility with HSBC Bank of Canada to a maximum of $500,000 bearing interest at prime plus 1.25%. No amounts were drawn on this facility as at March 31, 2007.

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

7. CAPITAL STOCK

a) Authorized and issued

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

	Shares	Amount
Authorized and issued:		
Unlimited Common shares without par value.		
Unlimited Preferred shares without par value.		
Balance, September 30, 2006 and March 31, 2007	**9,686,687**	**$ 1,581,475**

7. CAPITAL STOCK (continued)

b) Stock options and warrants

The Company established an incentive stock option plan (the "Option Plan") on August 18, 2003. Under the terms of the 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.

A summary of stock option activity follows:

	Stock options and warrants		
		Weighted average	
	Number	Price	Warrants
Outstanding at September 30, 2005	711,500	$ 0.40	41,272
Forfeited	(256,500)	$ 0.40	(41,272)
Outstanding at September 30, 2006	455,000	$ 0.40	-
Issued	160,000	$ 0.15	
Outstanding at March 31, 2007	**615,000**	**$ 0.22**	

The following table summarizes information about director and employee stock options outstanding at March 31, 2007:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.40	455,000	1.7 years	$ 0.40	455,000	$ 0.40
$ 0.15	160,000	0.5 years	$ 0.15	80,000	$ 0.15

7. CAPITAL STOCK (continued)

b) Stock options and warrants

The Company uses the fair value method to account for stock options and warrants granted to employees and consultants. There were no options granted during the year ended September 30, 2006. The fair value of the 160,000 options issued during the six months ended March 31, 2007 has been determined to be insignificant, and as a consequence there has been no compensation expense recorded.

The fair values of stock options and warrants issued during the six months ended March 31, 2007 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	3.00%
Expected volatility	70%
Expected average life of options	1.0 years.
Expected dividend yield	0%

c) Escrowed shares

During the six months ended March 31, 2007**,** 538,729 shares were released from escrow; at September 30, 2006, 2,871,084 common shares were held in escrow. The release of the escrowed shares is governed by the underlying escrow and pooling agreements, and is eligible for release in the fiscal years ended as follows:

2007	388,726
2008	777,452
2009	777,452
2010	388,725
	2,332,355

8. CONTRIBUTED SURPLUS

Charges and credits to contributed surplus are related to stock options and warrants; there were no transactions affecting contributed surplus during the six months ended March 31, 2007, or the year ended September 30, 2006.

9. COMMITMENTS

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

2007	$	178,955
2008		351,448
2009		334,073
2010		319,679
2011		50,978
	$	1,235,133

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.

During the three month period ended March 31, 2007 one customer accounted for 46% of the Company's total revenue (2006 – three customers accounted for 26%)

During the six month period ended March 31, 2007 two customers accounted for 34% of the Company's total revenue (2006 – three customers accounted for 35%)

The Company attributes revenue amounts to geographical areas based upon the customers' locations. Sales information related to geographical areas is a follows:

	3 months ended March 31		6 months ended March 31	
	2007	2006	**2007**	2006
Revenues				
North America	**$ 1,514,063**	$ 1,310,380	**$ 3,107,184**	$ 2,629,494
Europe		549,450	**425,236**	1,939,963
Middle East	**1,453,625**	-	**1,457,952**	258,426
Asia Pacific	**-**	110,065	**143,791**	110,065
Latin America	**163,184**	159,368	**354,706**	294,542
	$ 3,130,872	**$ 2,129,263**	**$ 5,488,870**	**$ 5,232,490**

11. FUTURE INCOME TAXES

The Company has recognized in the financial statements, future benefits arising from timing differences, loss carry forwards, and valuation adjustments, that will be available to offset tax expenses in future periods; it is more likely than not that these benefits will be utilized.

12. CHANGES IN ACCOUNTING POLICIES

Effective October 1, 2006, the Company adopted the following Canadian Institute of Chartered Accountants (“CICA”) accounting recommendations:

Comprehensive Income

CICA Handbook Section 1530 Comprehensive Income requires enterprises to present comprehensive income as well as net income in their financial statements. Since the entity does not have any elements of comprehensive income, the adoption of this section did not have any impact on the Company’s consolidated financial statements.

Financial Instruments

CICA Handbook Sections 3855 Financial Instruments – Recognition and Measurement and 3861 Financial Instruments – Disclosure and Presentation establish standards for recognizing, measuring and presenting financial instruments and non-financial derivatives. All financial instruments are measured at fair market value with the exception of financial assets classified as loans and receivables, investments classified as held-to-maturity, and liabilities classified as other liabilities which are all measured at amortized cost using the effective interest method.

As a result of the new standards, the Company has classified its cash as held for trading, accounts receivable as loans and receivables, and accounts payable and capital lease obligations as other liabilities.

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

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

FORM 5l-l02Fl

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE QUARTER ENDING March 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 second quarter ended March 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 May 29, 2007 is prepared in conformity with National Instrument 51-102F1 and has subsequently been approved by the Board of Directors.

The accompanying un-audited financial statements and related notes have been prepared by management, and although they are not reviewed by an Auditor, are presented in accordance with Canadian generally accepted accounting principles. These statements, together with the following management’s discussion and analysis dated May 29, 2007 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 May 29, 2007 and should be read in conjunction with the Company's un-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

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

Sales for three months ended March 31, 2007 were $3,130,872, an increase of $1,001,609 or 47% over the prior year, due largely to higher sales in the Middle East

On a year to date basis, sales of $5,488,870 were higher by 5% over the prior year; the stronger performance in the Middle East, and continuing growth in North American markets was largely offset by a decline in sales in Europe. The higher revenue in Europe last year, resulted from several large sales in the UK and Sweden.

Operating Expenses

Total operating expenses of $1,007,910 during the three months ended end March 31, 2007 increased by $238,604 (31%) from the comparable period in 2005.

The increase in operating expenses during the second quarter was due mainly to higher commissions and discretionary bonuses, arising from the increased sales volume. Accounting and legal costs in the quarter included a $40,000 provision for future legal costs, related to a Company initiated collection and intellectual property infringement action. Net office expenses recovered during the three months ended March 31 2007, was due to a reallocation of $46,558 project consulting costs incurred during the first quarter

Year to date operating costs of $1,655,492 were $92,644 (6%) higher than the prior year. Higher costs for salaries and benefits (up 20%, at $160,218) which include payroll and benefit costs for management, administrative and sales staff, and commissions, were largely offset by lower insurance costs , and favorable currency exchange rates experienced during the first quarter of the year. Insurance expense includes the premium costs for product liability, property loss, directors and officers' liability coverage, and key man insurance. The major portion of the company's 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 on operations before taxes for the three months ended March 31, 2007 of $324,025 increased by $572,137 over the loss on operations for the comparable period last year.
Income on operations before taxes for the six months ended March 31, 2007 of $462,336 increased by $691,265 over the year to date loss on operations for last year.
The improvement in operating results for the recent quarter and year to date reflect the effects of aggressive marketing, and continuing improvements in productivity.

Income Taxes

The income statement includes a provision of $157,194 for current taxes payable, based on the results of operations for the six months ended March 31, 2007. The Company's accounting policies with respect to income taxes are described in Note 11 of the accompanying financial statements, and in the notes attached to the Company's most recent audited financial statements (September 30, 2006).

Net Income

Net income for the three months ended March 31, 2007 was $213,845 ($0.02 earnings per share), as compared to a loss of 167,987 ($0.02 loss per share) for the comparable period in 2006.

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)

	Mar 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	Mar 31 2006	Dec 31 2005	Sept 30 2005	June 30 2005
Sales	$ 3,131	$ 2,358	$ 3,007	$ 2,160	$ 2,129	$ 3,103	$ 3,502	$ 2,085
Net income (loss)	$ 214	$ 91	$ 347	$ (1)	$ (168)	$ 19	$ 503	$ (39)
Earnings (loss) per share								
Basic	$ 0.02	$ 0.01	$ 0.03	$ -	$ (0.02)	$ 0.00	$ 0.05	$ (0.00)
Diluted	$ 0.02	$ 0.01	$ 0.03	$ -	$ (0.02)	$ 0.00	$ 0.05	$ (0.00)

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

(Refer to preceding comments under “**RESULTS OF OPERATIONS”)**

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

Sales for three months ended December 31, 2006 were $2,357,988, down 24% from $3,103,227 in the prior year. The decrease was attributable primarily to lower European sales, $425,743, a reduction of $964,770 from the prior year. The higher revenue in Europe last year, resulted from several large sales in the UK and Sweden. The lower volume in Europe in 2006 was partially offset by stronger sales in North America (up by $273,501), and by the Company’s first project sale in India ($143,791). Gross profit during the three months ended end December 31, 2006 declined to $785,893 from $812,726 during the comparable period in 2005, because of the lower volume of shipment; expressed as a percentage of sales, gross profits increased to 33% in 2006, as compared to 26% in the prior year. The improvement in the profitability of sales reflected more aggressive sales pricing, productivity improvements, and more a favorable sales mix. A greater proportion of the total sales for the first quarter, were represented by larger individual orders; larger projects generally provide an opportunity to earn higher margins and are more profitable to the Company. Total operating expenses of $647,582

during the three months ended end December 31, 2006 declined by $145,961 (18%) from the comparable period in 2005, due mainly to lower costs of insurance, salaries and benefits, and the effects of more favorable foreign exchange. The insurance expense in 2005 was higher than 2006, because it included the settlement cost of an action for a US customer's injury claim.
Salaries and benefit costs for during the three months ended end December 31, 2006 were lower mainly because of discretionary staff bonuses paid in 2005.

Fourth Quarter Ended September 30, 2006 Compared to the Previous Year
Total sales of $3,007,637 during the three month period ended September 30, 2006 were mainly shipments to the U.S. ($1,657,046, or 55%) and Europe ($840,825, or 28%) as compared to $3,502,252 for the same three month period during 2005; the 2005 quarter sales were the highest in the company's history.

The net income during the fourth quarter of 2006 was $347,217 a decrease of $155,312 from the previous year. The lower net income was caused mainly by lower gross profit resulting from the reduced sales level, increased operating costs due largely to higher salaries and accounting and legal fees, offset partially by lower advertising and promotion expenses, lower foreign exchange losses, lower bad debt expenses, and a favorable 2006 year end provision for realization of a future income tax asset, due to recent positive operating results and future earnings forecasts

Third Quarter Ended June 30, 2006 Compared to the Previous Year
For the three month period ended June 30, 2006 total sales of $2,160,419 increased by 4% in comparison to $2,084,740 for the same three month period in 2005. Increased sales into Europe and Latin America offset declines in the other geographic areas. The higher gross profit was completely offset by increased expenses.
Total operating expenses of $809,401 for the three months ending June 30, 2006 increased by $236,500 (41%) over the comparable period in 2005.

The increased costs during the three months period ended June 30, 2006 were principally due to higher expenditures for advertising and promotion, accounting and legal, commissions paid to outside agents, and salaries and benefits. Higher advertising and promotion expenses were due to increased marketing activities including the costs of trade show attendance and media advertising. Salary and benefit costs included commissions paid to staff sales personnel. Increased costs for accounting and legal during the quarter included legal costs related to patent issues, new banking arrangements, and consulting costs arising from accounting software upgrades; accounting and legal expenses in 2005 were reduced by the proceeds of a final settlement of arising from a legal action initiated by the Company. The increase in commissions paid to outside agents during the quarter was the direct result of increased sales due to the Company's strengthening relationships with outside agents.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

Cash provided by operating activities of $347, 247 during the six months ended March 31, 2007 was sufficient to meet the net decrease ($78,034) in non - cash operating working capital requirements (inventory, accounts receivable from customers, taxes payable, accounts payable to suppliers, etc.).

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

The cash advances and payments from customers, together with credit from suppliers and investments from shareholders, have historically provided the required working capital for day to day operations. During 2006, the Company negotiated an operating line of credit with HSBC Bank Canada to a maximum $500,000 to facilitate dealing with short term financing issues; 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 2007, including required working capital investments, capital expenditures, and currently scheduled repayments of debt, 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 illustrative purposes, during the six months period ended March 31, 2007, $4,113,246 of the total sales of sales of $5,488,870 were negotiated in US dollars.

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

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 March 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 off - site seminars and training programs, to upgrade operational and managerial skills.

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

Management continues to be enthusiastic about the progress in introducing the installation of "Solid Works", a three dimensional modeling software program with the capacity to produce detailed fabrication instructions and materials lists for the play structures. During the Company's early development and growth manufacturing period, because of the custom manufactured nature of the play structures it has been necessary to partially pre assemble and disassemble the play structures in the factory prior to shipping and final assembly at customer sites, . This practice 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 pre assembly, and will result in increasing improvements in production efficiency.

The Company recently negotiated an agreement with National Research Council Canada, in which they have agreed to contribute $19,660 towards the costs of introducing the productivity improvements as described above.

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:

2007	$ 178,955
2008	$ 351,448
2009	$ 334,073
2010	$ 319,679
2011	$ 50,978
	$1,235,133

OFF-BALANCE SHEET ARRANGEMENTS

There are currently no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the year.

LEGAL PROCEEDINGS

There are several unsettled claims arising from injuries sustained at U.S. customer sites, for which at September 30, 2006, 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, accounts receivable and income tax payable 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 March 31, 2007 the Company issued the following securities:

None

(b) Summary of options granted during the period:

During the six months ended March 31, 2007, 160,000 stock options were granted to directors to purchase common shares at $0.15 per share

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

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

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

(c) Summary of Options, Warrants and Securities outstanding

As at March 31, 2007 there were 455,000 outstanding stock options, exercisable at $0.40 per share, expiring on November 28, 2008, and 160,000 outstanding stock options exercisable at $0.15 per share, expiring in October 13, 2007.

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

The total number of securities of the Company held in escrow as at March 31, 2007 is 2,332,355 common shares, representing approximately 24 % 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 Director
David L. Wood Director
David Perkins Director

Approved on behalf of the Board

"Scott Forbes"
Scott Forbes, President and Director

"Franco Aquila"
Franco Aquila, CEO and Director