Q2

2011

Consolidated financial statements of

Iplayco Corporation Ltd.

As at and for the three and six months ended March 31, 2011

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

Iplayco Corporation Ltd.

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Iplayco Corporation Ltd.

Consolidated balance sheets

	March 31, 2011	September 30, 2010
	(Unaudited)	
Assets		
Current		
Cash	**$ -**	$ 369,573
Accounts receivable	**345,348**	706,544
Inventories (Note 3)	**1,106,984**	974,078
Prepaid expenses	**157,916**	89,873
	1,610,248	2,140,068
Property, plant, and equipment	**1,921,116**	2,018,753
Future income taxes	**367,452**	179,077
	$ 3,898,816	$ 4,337,898
Liabilities		
Current		
Operating loan (note 2)	**$ 216,783**	$ -
Accounts payable and accrued liabilities	**998,859**	946,546
Customer deposits	**230,372**	288,473
Current portion of rent inducement (Note 4)	**88,942**	22,817
Current portion of capital lease obligations (Note 5)	**141,512**	145,048
Loan payable	**69,444**	152,775
	1,745,912	1,555,659
Rent inducement (Note 4)	**93,017**	55,140
Capital lease obligations (Note 5)	**126,430**	198,110
	1,965,359	1,808,909
Shareholders' equity		
Capital stock	**1,757,643**	1,757,643
Contributed surplus	**256,858**	256,858
Retained earnings (deficit)	**(81,044)**	514,488
	1,933,457	2,528,989
	$ 3,898,816	$ 4,337,898

Subsequent event (Note 7)

Approved by the Directors

"David A. Perkins"
....

"David L. Wood"
....

See accompanying notes to the consolidated financial statements

Iplayco Corporation Ltd.

Consolidated statements of operations,
comprehensive loss and retained earnings (deficit)
(Unaudited)

	Three months ended March 31,		Six months ended March 31,	
	2011	2010	**2011**	2010
Sales	**$1,319,650**	$ 1,935,266	**$3,110,181**	$ 3,737,217
Cost of sales	**845,835**	1,290,633	**2,158,152**	2,307,826
Gross profit	**473,815**	644,633	**952,029**	1,429,391
Expenses				
Selling and administration	**633,196**	741,768	**1,477,544**	1,324,670
Depreciation	**86,415**	110,698	**200,704**	218,955
Foreign exchange loss	**5,333**	12,375	**34,115**	18,369
Interest expense	**12,019**	14,288	**23,573**	29,728
	736,963	879,129	**1,735,936**	1,591,722
Loss before income taxes	**(263,148)**	(234,496)	**(783,907)**	(162,331)
Income tax recovery				
Current	**-**	(27,426)	**-**	(3,433)
Future	**(64,745)**	(37,394)	**(188,375)**	(34,704)
	(64,745)	(64,820)	**(188,375)**	(38,137)
Net loss and comprehensive loss for the period	**(198,403)**	(169,676)	**(595,532)**	(124,194)
Retained earnings at beginning of the period	**117,359**	895,302	**514,488**	849,820
Retained earnings (deficit) at end of the period	**$ (81,044)**	$ 725,626	**$ (81,044)**	$ 725,626
Loss per share				
Basic and diluted	**$ (0.02)**	$ (0.02)	**$ (0.06)**	$ (0.01)
Weighted average number of common shares				
Basic and diluted	**10,220,187**	10,220,187	**10,220,187**	10,220,187

See accompanying notes to the consolidated financial statements

Iplayco Corporation Ltd.
Consolidated statements of cash flows
(Unaudited)

	Three months ended March 31,		Six months ended March 31,	
	2011	2010	**2011**	2010
Operating activities				
Net loss for the period	**$ (198,403)**	$ (169,676)	**$ (595,532)**	$ (124,194)
Items not involving cash				
Depreciation	**86,415**	110,698	**200,704**	218,955
Future income taxes	**(64,745)**	(37,394)	**(188,375)**	(34,704)
Non-hedging financial derivatives	**-**	-	**-**	(164)
Rent inducement	**47,072**	(5,704)	**104,002**	(11,409)
Unrealized foreign exchange loss	**2,841**	10,085	**3,081**	17,434
	(126,820)	(91,991)	**(476,120)**	65,918
Change in non-cash operating working capital				
Accounts receivable	**187,212**	(195,320)	**358,115**	(273,278)
Inventories	**16,719**	50,421	**(132,906)**	25,239
Prepaid expenses	**(76,241)**	16,107	**(68,043)**	15,604
Accounts payable	**2,597**	(77,365)	**52,313**	(62,109)
Customer deposits	**(40,063)**	213,199	**(58,101)**	43,899
	90,224	7,042	**151,378**	(250,645)
	(36,596)	(84,949)	**(324,742)**	(184,727)
Investing activities				
Purchase of property, plant and equipment	**(62,624)**	(14,322)	**(103,067)**	(33,514)
Financing activities				
Repayment of loan payable	**(41,667)**	(41,667)	**(83,331)**	(83,334)
Repayment of capital lease obligations	**(38,055)**	(34,610)	**(75,216)**	(66,958)
	(79,722)	(76,277)	**(158,547)**	(150,292)
Change in cash during the period	**(178,942)**	(175,548)	**(586,356)**	(368,533)
Cash (overdraft) at beginning of the period	**(37,841)**	227,025	**369,573**	420,010
Cash (overdraft) at end of the period (note 2)	**(216,783)**	51,477	**$ (216,783)**	$ 51,477
Supplemental cash flow information:				
Interest paid	**$ 12,019**	$ 14,288	**$ 23,573**	$ 29,728
Non-cash transactions - capital leases	**-**	-	**-**	66,261

See accompanying notes to the consolidated financial statements

1. Basis of presentation

These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the Corporation's most recently completed fiscal period ended September 30, 2010. 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, 2010 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 sales and expenses during the reporting periods. 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.

2. Operating loan

On August 13, 2010, the operating loan facility was renewed with a limit of $500,000, subject to certain margin requirements, bears interest at prime plus 1.50%, and is secured by a general security agreement covering all property of the Corporation. At March 31, 2011, $430,000 has been drawn on this facility (September 30, 2010 - no amount drawn), and is presented net of cash of $213,217.

3. Inventories

	March 31, 2011	September 30, 2010
Raw materials	**$ 1,019,629**	$ 921,341
Work in progress	**70,990**	27,419
Finished goods	**16,365**	25,318
	$ 1,106,984	$ 974,078

Inventories recognized as an expense during the three and six months ended March 31, 2011 amount to $829,116 and $2,291,058, respectively (2010 - $1,240,212 and $2,282,587).

4. Rent inducement

On February 6, 2008, the Corporation entered into an operating lease agreement commencing on March 1, 2008 to February 29, 2014 with basic rent escalating annually, and ten months of basic rent forgiven. At March 31, 2011, rent inducement of $111,930 from this operating lease is included in these financial statements and is recognized into income over the term of the lease.

4. Rent inducement (continued)

On July 6, 2010, the Corporation entered into an operating lease agreement for office and warehouse space, commencing on December 1, 2010 to November 30, 2020, with basic rent escalating every two years, and seven months of basic rent forgiven. At March 31, 2011, rent inducement of $70,029 from this operating lease is included in these financial statements and is recognized as a lease expense.

5. Capital lease obligations

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

		March 31, 2011
2011	$	**81,014**
2012		**149,553**
2013		**61,197**
2014		**1,841**
		293,605
Less amount representing interest at 9.44%		**(25,663)**
		267,942
Less current portion		**(141,512)**
	$	**126,430**

6. Segmented information and concentration of sales

(a) Business segments

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

The accounting policies of the two business segments are the same as those described in Note 1 to these interim consolidated financial statements. Inter-segment transactions are eliminated upon consolidation.

6. Segmented information and concentration of sales (continued)

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

	Three months ended March 31, 2011		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 892,856	$ 426,794	$ 1,319,650
Cost of sales	643,571	202,264	845,835
Gross profit	249,285	224,530	473,815
Selling and administrative expenses	529,493	103,703	633,196
Depreciation expense	41,364	45,051	86,415
Foreign exchange loss	5,333	-	5,333
Interest expense	4,212	7,807	12,019
Income tax expense (recovery)	(72,441)	7,696	(64,745)
Net income (loss)	$ (258,676)	$ 60,273	$ (198,403)
Total assets	$ 2,516,262	$ 1,382,554	$ 3,898,816
Acquisition of property, plant and equipment	$ 59,326	$ 3,298	$ 62,624

	Six months ended March 31, 2011		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 2,302,753	$ 807,428	$ 3,110,181
Cost of sales	1,753,295	404,857	2,158,152
Gross profit	549,458	402,571	952,029
Selling and administrative expenses	1,229,569	247,975	1,477,544
Depreciation expense	109,167	91,537	200,704
Foreign exchange loss	34,115	-	34,115
Interest expense	6,628	16,945	23,573
Income tax recovery	(182,085)	(6,290)	(188,375)
Net income (loss)	$ (647,936)	$ 52,404	$ (595,532)
Total assets	$ 2,516,262	$ 1,382,554	$ 3,898,816
Acquisition of property, plant and equipment	$ 95,540	$ 7,527	$ 103,067

6. Segmented information and concentration of sales (continued)

	Three months ended March 31, 2010		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 1,530,242	$ 405,024	$ 1,935,266
Cost of sales	1,079,722	210,911	1,290,633
Gross profit	450,520	194,113	644,633
Selling and administrative expenses	639,724	102,044	741,768
Depreciation expense	55,718	54,980	110,698
Foreign exchange loss	11,685	690	12,375
Interest expense	1,213	13,075	14,288
Income tax expense (recovery)	(71,333)	6,513	(64,820)
Net income (loss)	$ (186,487)	$ 16,811	$ (169,676)
Total assets	$ 3,080,695	$ 1,509,408	$ 4,590,103
Acquisition of property, plant and equipment	$ 8,542	$ 5,780	$ 14,322

	Six months ended March 31, 2010		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 3,028,821	$ 708,396	$ 3,737,217
Cost of sales	1,907,327	400,499	2,307,826
Gross profit	1,121,494	307,897	1,429,391
Selling and administrative expenses	1,132,560	192,110	1,324,670
Depreciation expense	110,415	108,540	218,955
Foreign exchange loss	17,679	690	18,369
Interest expense	2,691	27,037	29,728
Income tax recovery	(35,390)	(2,747)	(38,137)
Net loss	$ (106,461)	$ (17,733)	$ (124,194)
Total assets	$ 3,080,695	$ 1,509,408	$ 4,590,103
Acquisition of property, plant and equipment	$ 46,132	$ 53,643	$ 99,775

6. Segmented information and concentration of sales (continued)

(b) Geographic and customer information

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

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

	Three months ended March 31,		Six months ended March 31,	
	2011	2010	**2011**	2010
Sales				
Canada	**$ 527,821**	$ 892,127	**$ 989,007**	$ 1,261,646
United States	**620,765**	518,547	**1,569,538**	1,693,474
Europe	**68,270**	26,602	**313,254**	89,863
Middle East	-	-	**88,295**	74,142
Asia Pacific	**76,736**	487,000	**76,736**	487,000
Latin America	**26,058**	10,990	**73,351**	131,092
	$ 1,319,650	$ 1,935,266	**$ 3,110,181**	$ 3,737,217

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

	Three months ended March 31,		Six months ended March 31,	
	2011	2010	**2011**	2010
Customer A	**$ 203,124**	$ 321,350	**$ 582,443**	$ 793,211
Customer B	**233,127**	-	**-**	-
Customer C	**-**	486,704	**-**	486,704
Customer D	**-**	202,000	**-**	-
	$ 436,251	$ 1,010,054	**$ 582,443**	$ 1,279,915

7. Subsequent event

On May 13, 2011, the Corporation entered into a sales agreement of U.S. $898,000 to design, manufacture and install a large play structure. In accordance with the terms of the sales agreement, the Corporation received a cash deposit of U.S. $437,486 from the purchaser.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Iplayco Corporation Ltd. ("Iplayco" or the "Corporation") provides information for the three and six-month periods ended March 31, 2011, and up to and including May 30, 2011. This MD&A should be read together with our unaudited interim consolidated financial statements and the accompanying notes for the three and six-month periods ended March 31, 2011 (the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in Canadian dollars.

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

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

Additional information related to Iplayco, including our consolidated financial statements for the fiscal year ended September 30, 2010, and our Management Proxy Circular, can be found on SEDAR at www.sedar.com and on our corporate website at www.iplaycoltd.com.

Overview

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

Consolidated Results

Sales for the three-month period ended March 31, 2011 ("Q2-11") decreased by 31.8% to $1,319,650 from $1,935,266 for the three-month period ended March 31, 2010 ("Q2-10"). Gross profit percentage was 35.9% of sales in Q2-11 compared to 33.3% in Q2-10. Operating expenses were $736,963 or 55.8% of sales in Q2-11 compared to $879,129 or 45.4% of sales in Q2-10. Net loss in Q2-11 was $198,403, or loss per share of $0.02, compared to net loss of $169,676, or loss per share of $0.02, in Q2-10.

Sales for the six-month period ended March 31, 2011 ("YTD – Q2-11") decreased by 16.8% to $3,110,181 from $3,737,217 for the six-month period ended March 31, 2010 ("YTD – Q2-10"). Gross profit was 30.6% of sales for YTD – Q2-11 compared to 38.2% for YTD – Q2-10. Operating expenses were $1,735,936 or 55.8% of sales for YTD – Q2-11 compared to $1,591,722 or 42.6% of sales for YTD – Q2-10. Net loss for YTD – Q2-11 was $595,532, or loss per share of $0.06, compared to net loss of $124,194, or a loss per share of $0.01, for YTD – Q2-10.

Manufacturing

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

Sales generated by our Manufacturing operations decreased by 41.7% to $892,856 in Q2-11 from $1,530,242 in Q2-10. This decrease was due primarily to the combined effect of lower sales to our customers in Canada, who accounted for $101,027 (or 11.3% of total Manufacturing sales) in Q2-11, compared to $487,103 (or 31.8%) in Q2-10, and lower sales to our customers in Asia Pacific, who accounted for $76,736 (or 8.6% of total Manufacturing sales) in Q2-11, compared to $487,000 (or 31.8%) in Q2-10, partially offset by higher sales to our customers in the U.S., who accounted for $620,765 (or 69.5% of total Manufacturing sales) in Q2-11, compared to $518,547 (or 33.9%) in Q2-10.

Sales generated by our Manufacturing operations decreased by 24.0% to $2,302,753 for YTD – Q2-11 from $3,028,821 for YTD – Q2-10. This decrease was due primarily to the combined effect of lower sales to our customers in Canada, who accounted for $181,579 (or 7.9% of total Manufacturing sales) for YTD – Q2-11, compared to $553,250 (or 18.3%) for YTD – Q2-10, and lower sales to our customers in Asia Pacific, who accounted for $76,736 (or 3.3% of total Manufacturing sales) for YTD – Q2-11, compared to $487,000 (or 16.1%) for YTD – Q2-10, partially offset by higher sales to our customers in Europe, who accounted for $313,254 (or 13.6% of total Manufacturing sales) during YTD – Q2-11, compared to $89,863 (or 3.0%) during YTD – Q2-10.

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

We expected Q2-11 sales to be in-line with Q1-11 however this did not materialize due to lower than expected volume of orders in Q2-11. Sales generated by our Manufacturing operations decreased by 36.7% to $892,856 in Q2-11 from $1,409,897 in Q1-11. Although the economic environment in our industry remains challenging, especially in the U.S., we are beginning to see some encouraging signs of recovery as evidenced by an increase in the volume of sales quote requests. We are therefore forecasting moderate growth in sales from our Manufacturing operations for the second half of our 2011 fiscal year.

Gross profit percentage decreased to 27.9% (or 23.9% for YTD – Q2-11) of sales from our Manufacturing operations in Q2-11 from 29.4% in Q2-10 (or 37.0% for YTD – Q2-10). Decreases in gross profit percentages during these periods were due primarily to the combined effect of a very competitive market environment which contributed to significantly reduce pricing and margins on sales of our larger play structures, fixed overhead production costs that reduced margins due to the low sales volume, and the strengthening of the Canadian dollar against the U.S. dollar. For the second half of our 2011 fiscal year, we expect that our gross profit percentage will continue to fluctuate depending on the size and complexity of play structures sold, competitive selling prices, our ability to reduce costs, changes in sales volume, and changes in exchange rates between the U.S. dollar and the Canadian dollar.

Our Manufacturing operations generated a net loss of $258,676 in Q2-11 (or net loss of $647,936 for YTD – Q2-11) compared to a net loss of $186,487 in Q2-10 (or net loss of $106,461 for YTD – Q2-10). Increases in net losses during these periods were due primarily to considerably lower gross profit margins resulting from continued challenging economic conditions in our industry. Market conditions have lowered selling prices, particularly for larger play structures, which typically yield higher margins. For the second half of our 2011 fiscal year, we expect that our net operating results will continue to fluctuate based on the variability in our gross profit and exposure to foreign currency risk between the U.S. dollar and the Canadian dollar.

Family Entertainment Centre

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

Sales generated by our FEC operations increased by 5.4% to $426,794 in Q2-11 from $405,024 in Q2-10 and increased by 14.0% to $807,428 for YTD – Q2-11 from $708,396 for YTD – Q2-10. Increases in sales during these periods were due to higher admission fee revenues resulting from increased marketing efforts, new party packages, and the introduction of new games.

Net income from our FEC operations increased by 258.5% to $60,273 in Q2-11 from $16,811 in Q2-10 and increased by 395.5% to 52,404 for YTD – Q2-11 from a net loss of $17,733 for YTD – Q2-10. Increases in net operating results during these periods were due primarily to higher sales.

We expected moderate growth in sales from our FEC operations in Q2-11 as compared to Q1-11 due primarily to seasonality. Actual sales generated by our FEC operations increased by 12.1% to $426,794 in Q2-11 from $380,634 in Q1-11. Historically, our FEC has generated its strongest sales in Q2 due to the number of customer visits resulting primarily from winter weather conditions and school holidays. For the second half of our 2011 fiscal year, we are expecting sales from our FEC operations to decrease moderately as compared to the first half due to seasonality. We are also expecting that our operating expenses will continue to decrease as a percentage of our FEC sales due to our continuing efforts to reduce operating expenses, and due to lower interest expense resulting from fixed repayments on our existing loan payable balance and capital lease obligations.

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

Results of Operations

The following tables set forth our operating results for our Manufacturing and our FEC business segments for the three and six-month periods ended March 31, 2011 and 2010, expressed as a percentage of total sales:

	Three months ended March 31, 2011						Three months ended March 31, 2010					
	MFG		**FEC**		**Total**		MFG		FEC		Total	
Sales to external customers	**67.7**	**%**	**32.3**	**%**	**100.0**	**%**	79.1	%	20.9	%	100.0	%
Cost of sales	**48.8**		**15.3**		**64.1**		55.8		10.9		66.7	
Gross profit	**18.9**		**17.0**		**35.9**		23.3		10.0		33.3	
Selling and administrative expenses	**40.1**		**7.9**		**48.0**		33.1		5.3		38.4	
Depreciation expense	**3.1**		**3.4**		**6.5**		2.9		2.8		5.7	
Foreign exchange loss	**0.4**		**-**		**0.4**		0.6		-		0.6	
Interest expense	**0.3**		**0.6**		**0.9**		0.1		0.7		0.8	
Income tax expense (recovery)	**(5.5)**		**0.6**		**(4.9)**		(3.7)		0.3		(3.4)	
Net income (loss)	**(19.5)**	**%**	**4.5**	**%**	**(15.0)**	**%**	(9.7)	%	0.9	%	(8.8)	%

	Six months ended March 31, 2011						Six months ended March 31, 2010					
	MFG		**FEC**		**Total**		MFG		FEC		Total	
Sales to external customers	**74.0**	**%**	**26.0**	**%**	**100.0**	**%**	81.0	%	19.0	%	100.0	%
Cost of sales	**56.4**		**13.0**		**69.4**		51.0		10.7		61.7	
Gross profit	**17.6**		**13.0**		**30.6**		30.0		8.3		38.3	
Selling and administrative expenses	**39.5**		**8.0**		**47.5**		30.3		5.1		35.4	
Depreciation expense	**3.5**		**2.9**		**6.4**		3.0		2.9		5.9	
Foreign exchange loss	**1.1**		**-**		**1.1**		0.5		-		0.5	
Interest expense	**0.2**		**0.5**		**0.7**		0.1		0.7		0.8	
Income tax recovery	**(5.9)**		**(0.2)**		**(6.1)**		(0.9)		(0.1)		(1.0)	
Net income (loss)	**(20.8)**	**%**	**1.8**	**%**	**(19.0)**	**%**	(3.0)	%	(0.3)	%	(3.3)	%

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

	Three months ended March 31, 2011			Three months ended March 31, 2010		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**7.7 %**	**32.3 %**	**40.0 %**	25.1 %	20.9 %	46.0 %
United States	**47.0**	**-**	**47.0**	26.8	-	26.8
Europe	**5.2**	**-**	**5.2**	1.4	-	1.4
Middle East	**-**	**-**	**-**	-	-	-
Asia Pacific	**5.8**	**-**	**5.8**	25.2	-	25.2
Latin America	**2.0**	**-**	**2.0**	0.6	-	0.6
	67.7 %	**32.3 %**	**100.0 %**	79.1 %	20.9 %	100.0 %

	Six months ended March 31, 2011			Six months ended March 31, 2010		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**5.8 %**	**26.0 %**	**31.8 %**	14.8 %	19.0 %	33.8 %
United States	**50.5**	**-**	**50.5**	45.3	-	45.3
Europe	**10.1**	**-**	**10.1**	2.4	-	2.4
Middle East	**2.8**	**-**	**2.8**	2.0	-	2.0
Asia Pacific	**2.5**	**-**	**2.5**	13.0	-	13.0
Latin America	**2.3**	**-**	**2.3**	3.5	-	3.5
	74.0 %	**26.0 %**	**100.0 %**	81.0 %	19.0 %	100.0 %

Results of Operations – Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Sales

Sales decreased by $615,616 (or 31.8%) to $1,319,650 in Q2-11 from $1,935,266 in Q2-10 due to a decrease in sales of $637,386 from our Manufacturing operations, partially offset by an increase in sales of $21,770 from our FEC operations.

In Q2-11, two customers accounted for 33.1% of our total sales. In Q2-10, three customers accounted for 52.2% of our total sales.

Although our sales decreased by $470,881 (or 26.3%) to $1,319,650 in Q2-11 from $1,790,531 in Q1-11, we are expecting moderate growth of our sales in Q3-11 as compared to Q2-11 due primarily to an expected increase in sales from our Manufacturing operations.

Gross profit

Gross profit percentage was 35.9% of sales in Q2-11 compared to 33.3% in Q2-10. This slight increase was due primarily to our FEC operations which generated a gross profit percentage of 52.6% in Q2-11 compared to 47.9% in Q2-10 as a result of continuing efforts to improve our gross margin.

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

Operating expenses

Operating expenses decreased by $142,166 (or 16.2%) to $736,963 in Q2-11 from $879,129 in Q2-10. This decrease was due primarily to lower selling and administrative expenses from lower wages and benefits, rent, insurance, legal and accounting expenses.

Our operating expenses amounted to 55.8% of sales in Q2-11 and Q1-11 and we are expecting operating expenses in Q3-11 to remain in-line with Q2-11.

Income taxes

The income tax recovery of $64,745 in Q2-11 is comprised of a future income tax recovery of $72,441, on the loss before tax from our Manufacturing operations, and a future income tax expense of $7,696, on the income before tax from our FEC operations. The income tax recovery of $64,820 in Q2-10 is comprised of an income tax recovery of $71,333, on the loss before tax from our Manufacturing operations, and a future income tax expense of $6,513, on the income before tax from our FEC operations.

Although our income taxes will continue to fluctuate based on the variability in our quarterly results from operations, we do not expect to incur a current income tax expense during our 2011 fiscal year.

Net results from operations

Net loss and comprehensive loss in Q2-11 was $198,403, or loss per share of $0.02, compared to net loss and comprehensive loss of $169,676, or diluted loss per share of $0.02, in Q2-10. This increase in net loss was due to the net loss generated by our Manufacturing operations.

For our Manufacturing operations, we expect our net operating results to continue to fluctuate from quarter to quarter due to market conditions, variability in our gross profits, and changes in exchange rates between the U.S. dollar and the Canadian dollar.

For our FEC operations, we expect our net operating results to continue to fluctuate from quarter to quarter based on seasonality factors, primarily, weather conditions and school holidays. Since our FEC began operating in December 2008, seasonality trends have developed in sales and net operating results, with Q2 historically generating the strongest operating results, due primarily to winter weather conditions that are generally conducive to indoor activities for children, resulting in a higher number of customer visits at our FEC. Conversely, our Q4 operating results have historically been the weakest due to summer weather conditions that are generally conducive to outdoor activities for children, resulting in a lower number of visits at our FEC.

Results of Operations – Six Months Ended March 31, 2011 Compared to Six Months Ended March 31, 2010

Sales

Sales decreased by $627,036 (or 16.8%) for YTD – Q2-11 to $3,110,181 from $3,737,217 for YTD – Q2-10 due to a decrease in sales of $726,068 from our Manufacturing operations, partially offset by an increase in sales of $99,032 from our FEC operations.

For YTD – Q2-11, one customer accounted for 18.7% of our total sales. For YTD – Q2-10, two customers accounted for 34.2% of our total sales.

We are expecting moderate growth of our sales during the second half of our 2011 fiscal year due primarily to an expected increase in sales from our Manufacturing operations.

Gross profit

Gross profit percentage was 30.6% of sales for YTD – Q2-11 compared to 38.2% for YTD – Q2-10. This decrease was due primarily to the decrease in gross profit percentage from our Manufacturing operations, resulting from the combined effect of a very competitive market environment which contributed to significantly reduce pricing and margins on sales of our larger play structures, fixed overhead production costs that reduced margins due to the low sales volume, and the strengthening of the Canadian dollar against the U.S. dollar.

We expect that our gross profit percentage will continue to fluctuate during the second half of our 2011 fiscal year due to market conditions and sales mix from our Manufacturing operations.

Operating expenses

Operating expenses increased by $144,214 (or 9.1%) to $1,735,936 for YTD – Q2-11 from $1,591,722 for YTD – Q2-10. This increase was due primarily to higher selling and administrative expenses from higher wages and benefits.

During the second half of our 2011 fiscal year, we expect that our operating expenses will generally continue to fluctuate from quarter to quarter however on an annual basis we expect the following as compared to 2010:

- Higher administration expenses due to higher wages and benefits resulting from increased headcount in the sales department, and higher selling and marketing expenses in an effort to broaden the customer base of our Manufacturing operations.
- Lower depreciation expense resulting from a decrease in budgeted capital expenditures.
- Higher foreign exchange losses due to the strengthening of the Canadian dollar versus the U.S. dollar.
- Interest expense to remain in-line with 2010.

Income taxes

Income tax recovery increased to $188,375 for YTD – Q2-11 from $38,137 for YTD – Q2-10 due primarily to the net loss before income taxes from our Manufacturing operations.

Although our income taxes will continue to fluctuate based on the variability in our results from operations, we do not expect to incur a current income tax expense during the second half of our 2011 fiscal year.

Net results from operations

Net loss and comprehensive loss was $595,532, or loss per share of $0.06, for YTD – Q2-11 compared to net loss and comprehensive loss of $124,194, or diluted loss per share of $0.01, for YTD – Q2-10. This increase in net loss was due to the net loss generated by our Manufacturing operations.

For the second half of our 2011 fiscal year, we are expecting sales, gross profit and net operating results from our Manufacturing operations to increase moderately, as compared to the first six months of our 2011 fiscal year, due to firm order commitments and expected new orders. We are also expecting sales and net operating results from our FEC operations to decrease moderately due primarily to seasonality.

Quarterly Results of Operations

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

	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	**Q2-11**
CONSOLIDATED	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10	30-Sep-10	31-Dec-10	**31-Mar-11**
Sales	$2,060,291	$1,682,700	$1,801,951	$1,935,266	$1,712,123	$ 2,492,158	$ 1,790,531	**$1,319,650**
Cost of sales	1,136,124	760,851	1,017,193	1,290,633	1,136,654	1,423,955	1,312,317	**845,835**
Gross profit	924,167	921,849	784,758	644,633	575,469	1,068,203	478,214	**473,815**
Selling and administrative expenses	663,220	886,150	582,902	741,768	780,715	885,475	844,348	**633,196**
Depreciation expense	119,158	124,727	108,257	110,698	111,189	148,649	114,289	**86,415**
Foreign exchange loss (gain)	64,770	48,817	5,994	12,375	(27,526)	4,015	28,782	**5,333**
Interest expense	13,962	13,963	15,440	14,288	13,389	12,071	11,554	**12,019**
Income tax expense (recovery)	(12,638)	37,154	26,683	(64,820)	(9,321)	(63,846)	(123,630)	**(64,745)**
Net income (loss)	$ 75,695	$ (188,962)	$ 45,482	$ (169,676)	$ (292,977)	$ 81,839	$ (397,129)	**$ (198,403)**
Basic and diluted earnings (loss) per share	0.01	(0.02)	0.00	(0.02)	(0.03)	0.01	(0.04)	**(0.02)**

	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	**Q2-11**
MANUFACTURING	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10	30-Sep-10	31-Dec-10	**31-Mar-11**
Sales	$1,713,007	$1,360,869	$1,498,579	$1,530,242	$1,368,469	$ 2,191,177	$ 1,409,897	**$ 892,856**
Cost of sales	948,871	596,132	827,605	1,079,722	963,611	1,244,699	1,109,724	**643,571**
Gross profit	764,136	764,737	670,974	450,520	404,858	946,478	300,173	**249,285**
Selling and administrative expenses	565,239	861,968	492,836	639,724	682,382	790,412	700,076	**529,493**
Depreciation expense	67,420	70,571	54,697	55,718	56,304	93,556	67,803	**41,364**
Foreign exchange loss (gain)	64,770	48,817	5,994	11,685	(27,437)	3,935	28,782	**5,333**
Interest expense	1,158	1,157	1,478	1,213	1,354	1,458	2,416	**4,212**
Income tax expense (recovery)	(12,638)	3,441	35,943	(71,333)	(7,641)	(20,464)	(109,644)	**(72,441)**
Net income (loss)	$ 78,187	$ (221,217)	$ 80,026	$ (186,487)	$ (300,104)	$ 77,581	$ (389,260)	**$ (258,676)**

	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	**Q2-11**
FEC	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10	30-Sep-10	31-Dec-10	**31-Mar-11**
Sales	$ 347,284	$ 321,831	$ 303,372	$ 405,024	$ 343,654	$ 300,981	$ 380,634	**$ 426,794**
Cost of sales	187,253	164,719	189,588	210,911	173,043	179,256	202,593	**202,264**
Gross profit	160,031	157,112	113,784	194,113	170,611	121,725	178,041	**224,530**
Selling and administrative expenses	97,981	24,182	90,066	102,044	98,333	95,063	144,272	**103,703**
Depreciation expense	51,738	54,156	53,560	54,980	54,885	55,093	46,486	**45,051**
Foreign exchange loss (gain)	-	-	-	690	(89)	80	-	**-**
Interest expense	12,804	12,806	13,962	13,075	12,035	10,613	9,138	**7,807**
Income tax expense (recovery)	-	33,713	(9,260)	6,513	(1,680)	(43,382)	(13,986)	**7,696**
Net income (loss)	$ (2,492)	$ 32,255	$ (34,544)	$ 16,811	$ 7,127	$ 4,258	$ (7,869)	**$ 60,273**

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

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

- The decrease in net operating results from Q3-09 to Q4-09 is due primarily to higher operating expenses in Q4-09 compared to Q3-09. Q4-09 operating expenses are higher than Q3-09 due to international trade show expenses incurred in Q4-09.
- The increase in net operating results from Q4-09 to Q1-10 is due primarily to higher operating expenses in Q4-09 as a result of international trade show expenses.
- The decrease in net operating results from Q1-10 to Q2-10 is due primarily to a combination of lower gross profit, as a result of sales mix, and higher selling and administration expenses, in Q2-10 compared to Q1-10, due in part to expenses relating to year-end fillings and the shareholders' annual general meeting.
- The decrease in net operating results from Q2-10 to Q3-10 is due primarily to lower sales and gross profit in Q3-10 as compared to Q2-10.
- The increase in net operating results from Q3-10 to Q4-10 is due primarily to higher sales and gross profit in Q4-10 compared to Q3-10.
- The decrease in net operating results from Q4-10 to Q1-11 is due primarily to the combined effect of lower sales and lower gross profit percentage in Q1-11 compared to Q4-10.
- The decrease in net operating results from Q1-11 to Q2-11 is due primarily to the combined effect of lower sales partially offset by lower operating expenses in Q2-11 compared to Q1-11.

International Financial Reporting Standards ("IFRS")

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

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

IFRS Conversion Project

The Corporation's IFRS conversion project continues to be on track to meet the October 1, 2011 changeover date. The following is a status update on the IFRS conversion project. A description of key activities and milestones, as well as our accounting policy choices under IFRS 1 – *First Time Adoption of IFRS,* are presented in our MD&A for the year ended September 30, 2010. New and revised IFRS developments will be monitored throughout the project and may result in changes to the project activities.

IFRS Financial Statement Preparation

We have completed our in-depth analysis of accounting policy choices and are planning to prepare and present preliminary draft IFRS financial statements to the Audit Committee in the third quarter of 2011. The Corporation's external auditors will perform audit procedures on the opening balance sheet and the draft IFRS financial statements in the fourth quarter of 2011.

IFRS Training

The IFRS project lead is the Corporation's Chief Financial Officer who continues to receive in-depth IFRS training. The Corporation's external advisor, with input from the Chief Financial Officer, are continuing to provide insights and training throughout the project to accounting personnel, management and the Audit Committee.

IFRS Infrastructure

We have reviewed our business processes and accounting systems and we do not anticipate making significant changes as a result of our transition to IFRS.

IFRS Control Environment

We have reviewed our control environment and we do not anticipate making material changes to our internal controls and disclosure controls over financial reporting.

IFRS Expected Accounting Policy Impacts

The major accounting policy choices outlined in the Corporation 2010 Annual MD&A continue to be the Corporation's most significant areas of impact; however, at this stage of our IFRS implementation project, we are not anticipating material differences relevant to the recognition or derecognition of financial assets and liabilities included in the Corporation's opening balance sheet. Analysis of changes will be ongoing throughout 2011.

Liquidity and Capital Resources

Operating Activities

Cash used by operating activities was $36,596 in Q2-11 compared to $84,949 in Q2-10. This decrease was due primarily to the change in non-cash operating working capital.

Cash used by operating activities was $324,742 for YTD – Q2-11 compared to $184,727 for YTD – Q2-10. This increase was due primarily to the combined effect of an increase in net loss partially offset by changes in non-cash working capital.

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

Investing Activities

Cash used by investing activities was $62,624 in Q2-11 compared to $14,322 in Q2-10. This increase was due to higher purchases of property, plant and equipment in Q2-11 as compared to Q2-10.

Cash used by investing activities was $103,067 for YTD – Q2-11 compared to $33,514 for YTD – Q2-10. This increase was due to higher purchases of property, plant and equipment during YTD – Q2-11 as compared to YTD – Q2-10.

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

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

Financing Activities

Cash used by financing activities was $79,722 in Q2-11 compared to $76,277 in Q2-10. This marginal increase was due to higher cash outflows for repayment of capital lease obligations as a result of entering into new capital leases.

Cash used by financing activities was $158,547 for YTD – Q2-11 compared to $150,292 for YTD – Q2-10. This marginal increase was due to higher cash outflows for repayment of capital lease obligations as a result of entering into new capital leases.

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

During YTD – Q2-11 and as at March 31, 2011, we did not have any off-balance sheet finance or special purpose entities.

Cash Requirements

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

Sources and Uses of Cash

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

- At March 31, 2011, our cash balance was Nil, compared to $369,573 at September 30, 2010.
- At March 31, 2011, our accounts receivable balance was $345,348, compared to $706,544 at September 30, 2010.
- We have two credit facilities with a Canadian chartered bank. See "Credit Facilities".
- On May 13, 2011, our Manufacturing operations entered into a sales agreement of U.S. $898,000 to design, manufacture and install a large play structure. In accordance with the terms of the sales agreement, we received a cash deposit of U.S. $437,486 from the purchaser.

Credit Facilities

We have a non-revolving term loan maturing in August 2011 which bears interest at prime plus 2.95%. The loan is repayable in monthly instalments of $13,889 plus interest. At May 30, 2011, the loan balance, excluding accrued interest, is $41,667.

We have an operating loan facility with a limit of $500,000, subject to certain margin requirements on trade receivables and inventory. The operating loan bears interest at prime plus 1.50%. At March 31, 2011, $430,000 has been drawn on this facility (September 30, 2010 – no amounts drawn).

Market Risk Disclosure

Currency risk

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

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

At March 31, 2011 and September 30, 2010, there were no foreign exchange forward contracts outstanding.

Credit risk

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

One customer represents approximately 29.8% of the accounts receivable balance at March 31, 2011, compared to two customers representing approximately 48% of the accounts receivable balance at September 30, 2010. In our view, this account does not represent a significant credit risk.

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

Interest rate risk

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

Liquidity risk

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

Legal Proceedings

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

Related Party Transactions

During the six-month period ended March 31, 2011 there were no material related party transactions.

Outstanding Share Capital

At March 31, 2011 and May 30, 2011, there were 10,220,187 common shares issued and outstanding and there were no stock options outstanding.

Cautionary Note Regarding Forward-looking Statements

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