*Consolidated Interim Financial Statements of*

# IPLAYCO CORPORATION LTD.

*June 30, 2007*

*(Unaudited – Prepared by management, not reviewed by the company's external auditor)*

## TABLE OF CONTENTS

# Iplayco Corporation Ltd.
## CONSOLIDATED BALANCE SHEETS

| | June 30 2007 (Unaudited) | Sep 30 2006 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash | $ **1,906,929** | $ **1,075,271** |
| Accounts receivables | **1,005,954** | **938,316** |
| Inventory (Note 3) | **1,241,881** | **1,085,149** |
| Income taxes receivable | **-** | **10,000** |
| Prepaid expenses | **62,732** | **56,518** |
| | **4,217,496** | **3,165,253** |
| Capital assets (Note 4) | **409,200** | **319,733** |
| Future income taxes (Note 11) | **90,889** | **90,889** |
| | $ **4,717,585** | $ **3,575,875** |
| **LIABILITIES** | | |
| Current | | |
| Accounts payable | $ **1,088,274** | $ **817,765** |
| Income tax payable | **327,817** | **-** |
| Customer deposits | **527,077** | **659,663** |
| Current portion of capital lease (Note 5) | **43,711** | **20,333** |
| | **1,986,879** | **1,497,761** |
| Capital lease obligations (Note 5) | **41,129** | **24,915** |
| Capital stock (Note 7a) | **1,581,475** | **1,581,475** |
| Contributed surplus (Note 8) | **67,585** | **67,585** |
| Retained earnings | **1,040,517** | **404,139** |
| | **2,689,577** | **2,053,199** |
| | $ **4,717,585** | $ **3,575,875** |

**Approved by the directors**

**David Wood**

**Franco Aquila**

# Iplayco Corporation Ltd.

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS
## Third Quarter Ended June 30
## (Unaudited)

| | 3 months ended June 30 | | 9 months ended June 30 | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| Sales | $ **2,896,885** | $ 2,160,419 | $ **8,385,755** | $ 7,392,909 |
| Cost of sales | **1,461,037** | 1,352,387 | **4,832,078** | 5,275,958 |
| **Gross Profit** | **1,435,848** | 808,032 | **3,553,677** | 2,116,951 |
| Expenses | | | | |
| Accounting and legal | **11,302** | 33,597 | **77,108** | 72,062 |
| Advertising and promotion | **72,708** | 125,396 | **267,235** | 313,386 |
| Amortization | **25,215** | 16,902 | **67,320** | 48,714 |
| Bad Debt | | 490 | **4,738** | 16,630 |
| Bank charges and interest | **5,837** | 7,666 | **20,228** | 25,361 |
| Foreign exchange loss | **161,999** | (23,264) | **127,770** | (13,090) |
| Insurance | **52,272** | 52,749 | **154,904** | 206,954 |
| Office | **17,014** | 13,311 | **74,181** | 80,556 |
| Rent | **76,183** | 71,813 | **233,240** | 223,975 |
| Repairs and maintenance | **33,086** | 28,229 | **94,915** | 83,581 |
| Salaries and benefits | **466,048** | 462,925 | **1,422,029** | 1,233,689 |
| Utilities | **12,574** | 19,587 | **45,814** | 55,431 |
| | **934,238** | 809,401 | **2,589,482** | 2,347,249 |
| Income (loss) on operations | **501,610** | (1,369) | **964,195** | (230,298) |
| Provision for Income taxes | **170,623** | - | **327,817** | (80,125) |
| Income (loss) for the period | **330,987** | (1,369) | **636,378** | (150,173) |
| Retained earnings at beginning of the period | **709,530** | 56,063 | **404,139** | 204,867 |
| Retained earnings at end of the period | $ **1,040,517** | $ 54,694 | $ **1,040,517** | $ 54,694 |
| Earnings (loss) per share | | | | |
| Basic | $ **0.03** | $ (0.00) | $ **0.07** | $ (0.02) |
| Diluted | $ **0.03** | $ (0.00) | $ **0.07** | $ (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
## Third Quarter Ended June 30
## (Unaudited)

| | 3 months ended June 30 | | 9 months ended June 30 | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| Operating activities | | | | |
| Net income (loss) for the period | $ **330,986** | $ (1,369) | $ **636,378** | $ (150,173) |
| Items not involving cash | | | | |
| Amortization | **25,215** | 16,902 | **67,320** | 48,714 |
| | **356,201** | 15,533 | **703,698** | (101,459) |
| Change on non-cash operating working capital | | | | |
| Accounts receivable | **99,083** | 362,568 | **(128,301)** | 1,220,708 |
| Inventory | **(164,362)** | (131,936) | **(177,315)** | (172,512) |
| Prepaid expenses | **(3,149)** | (3,359) | **61,222** | 3,153 |
| Future income taxes | | - | | (80,125) |
| Income tax receivable | | - | **10,000** | |
| Income tax payable | **178,767** | 0 | **327,817** | (144,381) |
| Accounts payable | **(279)** | (38,012) | **308,921** | (418,158) |
| Customers' deposits | **213,355** | 84,489 | **(157,188)** | (103,804) |
| | **323,415** | 273,750 | **245,156** | 304,881 |
| | **679,616** | 289,283 | **948,854** | 203,422 |
| Investing activities | | | | |
| Purchase of capital assets | **(69,269)** | (13,249) | **(156,788)** | (41,960) |
| | **(69,269)** | (13,249) | **(156,788)** | (41,960) |
| Financing activities | | | | |
| Net proceeds (repayment) of capital lease obligations | **50,333** | (5,430) | **39,592** | (16,289) |
| | **50,333** | (5,430) | **39,592** | (16,289) |
| Change in cash during period | **660,680** | **270,604** | **831,658** | **145,173** |
| Cash at beginning of the period | **1,246,249** | 393,334 | **1,075,271** | 518,767 |
| Cash at end of the period | $ **1,906,929** | $ 663,939 | $ **1,906,929** | $ 663,940 |

**Iplayco Corporation Ltd.**
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**Nine months ended June 30, 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 by management 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

| | **June 30 2007** | September 30 2006 |
|---|---|---|
| Raw materials | **$ 1,033,873** | $ 908,208 |
| Work in progress | **$ 208,008** | $ 176,941 |
| | **$ 1,241,881** | $ 1,085,149 |

## 4. CAPITAL ASSETS

| | June 30, 2007 | | |
|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value |
| Automotive | $ 43,870 | $ 22,153 | $ 21,717 |
| Computer equipment | 191,109 | 82,300 | 108,809 |
| Furniture and fixtures | 52,526 | 28,924 | 23,602 |
| Machinery and equipment | 169,791 | 80,772 | 89,019 |
| Moulds | 127,468 | 43,624 | 83,844 |
| Leasehold improvements | 139,745 | 57,536 | 82,209 |
| | $ 724,509 | $ 315,309 | $ 409,200 |

Included in capital assets at June 30, 2007 are assets under capital leases with a cost of $141,128 and a net book value of $104,558.

| | 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 , office and plant equipment under capital leases. The future minimum payments under these leases are as follows:

| | |
|---|---|
| 2007 | $ 10,928 |
| 2008 | 43,711 |
| 2009 | 21,008 |
| 2010 | 17,777 |
| 2011 | 8,888 |
| | 102,312 |
| Less amount representing interest at 11.67% | (17,472) |
| | 84,840 |
| Less current portion | (43,711) |
| | $ 41,129 |

## 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 June 30, 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 June 30, 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, officers, employees and consultants 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 June 30, 2007 | **615,000** | **$ 0.22** | |

The following table summarizes information about director and employee stock options outstanding at June 30, 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 | 1.4 years | $ 0.40 | 455,000 | $ 0.40 |
| $ 0.15 | 160,000 | 0.3 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 nine months ended June 30, 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 nine months ended June 30, 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 nine months ended June 30, 2007**,** a total of 927,455 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:

| | |
|---|---|
| 2008 | 777,452 |
| 2009 | 777,452 |
| 2010 | 388,725 |
| | 1,943,629 |

**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 nine months ended June 30, 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 | $ | 89,374 |
| 2008 | | 379,549 |
| 2009 | | 366,911 |
| 2010 | | 356,955 |
| 2011 | | 82,448 |
| | $ | 1,275,237 |

## 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 June 30, 2007 two customers accounted for 28% of the Company's total revenue (2006 – three customers accounted for 32%)

During the nine month period ended June 30, 2007 two customers accounted for 29% of the Company's total revenue (2006 – one customers accounted for 13%; no other single customer accounted for 10% of revenue)

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 June 30 | | | | 9 months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **2007** | | 2006 | | **2007** | | 2006 |
| Revenues | | | | | | | | |
| North America | **$** | **2,524,155** | $ | 1,437,445 | **$** | **5,630,052** | $ | 4,068,951 |
| Europe | | **209,058** | | 617,004 | | **634,316** | | 2,581,398 |
| Middle East | | **50,134** | | | | **1,509,134** | | 233,651 |
| Asia Pacific | | **278** | | | | **144,179** | | 109,500 |
| Latin America | | **113,260** | | 105,970 | | **468,074** | | 399,409 |
| | **$** | **2,896,885** | $ | 2,160,419 | **$** | **8,385,755** | $ | 7,392,909 |

## 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.

# MANAGEMENT'S DISCUSSION & ANALYSIS

# FOR THE QUARTER ENDING June 30, 2007

# IPLAYCO CORPORATION LTD.

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**Fax: 604-882-1977**

The following management discussion and analysis ("MD&A") of the financial position of Iplayco Corporation Ltd. ("Iplayco" or the "Company") and results of operations of the Company for the third quarter ended June 30, 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 August 27, 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 the Company's external auditor, are presented in accordance with Canadian generally accepted accounting principles. These statements, together with the following MD&A dated August 27, 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. See "Special note regarding forward looking statements."

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 the Company. The analytical comments are current as of August 27, 2007 and should be read in conjunction with the Company's un-audited consolidated financial statements and notes thereto for the period ended June 30, 2007. Additional information regarding the Company can be found on SEDAR at www.sedar.com. All amounts are stated in CDN dollars.

**Special Note Regarding Forward Looking Statements.**

Certain of the statements made and information contained herein constitutes "forward-looking information" within the meaning of the *Securities Act* (Alberta) or "forward-looking statements" within the meaning of Canadian securities legislation. Forward-looking statements and information includes disclosure regarding possible or anticipated events, conditions or results of operations that is based on assumptions about future economic conditions and courses of actions. Such forward-looking statements and information are subject to a variety of known and unknown risks, uncertainties and other factors which could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements and information and readers are, therefore, advised not to place undue reliance on forward-looking statements or information. All of the forward-looking statements and information made herein are qualified by these cautionary statements. Except as required under applicable securities legislation, the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements or information, which speak only as of the date the statements were made, whether as a result of new information, future events or otherwise.

## RESULTS OF OPERATIONS

### Three months ended June 30, 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 June 30, 2007 were $2,896,885, an increase of $736,466 or 34% over the prior year, due to higher sales in North America.

On a year to date basis, sales of $8,385,755 were higher by $992,846 or 13% over the prior year; the stronger performance reflected continuing market growth in North American and the Mid East.

## Operating Expenses

Total operating expenses of $934,238 during the three months ended June 30, 2007 increased by $124,837 (15%) over the comparable period in 2006.

The increase in operating expenses during the second quarter was due mainly to foreign exchange losses, due to increasing strength of the Canadian dollar.

Year to date operating costs of $2,589,482 were $242,233 (10%) higher than the prior year, due primarily to higher costs for salaries and benefits (higher by $188,340), and higher losses on foreign exchange (up by $140,860). Salaries and benefits include payroll and benefit costs for management, administrative and sales staff, and commissions. A substantial portion of the Company’s sales are settled in US dollars; the continuing strength of the Canadian dollar vs the US dollar has been the main cause of the increased foreign exchange losses.

Insurance expense of $154,904 for the nine months ended June 30, 2007 include the premium costs for product liability, property loss, directors and officers’ liability coverage, and key man insurance. 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. Insurance expense for the comparable period in the preceding year was higher because of the cost of settling an injury claim with a US customer.

## Income before Income Taxes

Income on operations before taxes for the three months ended June 30, 2007 of $501,610 increased by $502,979 over the loss on operations for the comparable period last year. Income on operations before taxes for the nine months ended June 30, 2007 of $964,195 increased by $1,194,493 over the year to date loss on operations for last year.
The improvement in operating results for the recent quarter and year to date are due to continuous improvements in the Company’s gross profit on sales, reflecting the positive effects of aggressive marketing, and continuing improvements in factory productivity.

### Income Taxes

The income statement includes a provision of $327,817 for current taxes payable, based on the results of operations for the nine months ended June 30, 2007. The Company's accounting policies with respect to income taxes are described in Note 11 of the accompanying interim 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 June 30, 2007 was $330,987 ($0.03 earnings per share), as compared to a loss of $1,369 ($0.00 earnings 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)

| | June 30 2007 | Mar 31 2007 | Dec 31 2006 | Sept 30 2006 | June 30 2006 | Mar 31 2006 | Dec 31 2005 | Sept 30 2005 |
|---|---|---|---|---|---|---|---|---|
| Sales | $ 2,897 | $ 3,131 | $ 2,358 | $ 3,007 | $ 2,160 | $ 2,129 | $ 3,103 | $ 3,502 |
| Net income (loss) | $ 331 | $ 214 | $ 91 | $ 347 | $ (1) | $ (168) | $ 19 | $ 503 |
| Earnings (loss) per share | | | | | | | | |
| Basic | $ 0.03 | $ 0.02 | $ 0.01 | $ 0.03 | $0.00 | $ (0.02) | $ 0.00 | $ 0.05 |
| Diluted | $ 0.03 | $ 0.02 | $ 0.01 | $ 0.03 | $0.00 | $ (0.02) | $ 0.00 | $ 0.05 |

***Third Quarter Ended June 30, 2007 Compared to the Previous Year***

(Refer to preceding comments under "**RESULTS OF OPERATIONS")**

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

Sales for three months ended March 31, 2007 were $3,130,872, an increase of $1,001,609 (47%) over the prior year, due to higher sales in the Mid East.
Net income for the three months ended March 31, 2007 was $213,845 after a provision for income taxes of $110,180, as compared with a loss of $167,987 after a provision for income tax recovery of $80,125, for the comparable period in 2006. The improvement in operating results during 2007 was attributable to higher gross profits, due to the effects of aggressive marketing by the Company's sales group, and continuing improvements in factory and site installation productivity.

***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 2005. The decrease was attributable primarily to lower European sales, (down $964,770 from the prior year), 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 from the comparable period in 2005, because of the lower volume of shipment. The volume decrease was offset by improved gross profits; 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 during the nine months ended June 30, 2007 ($703,698), and by changes in non - cash operating working capital ($245,156 from inventory, accounts receivable from customers, taxes payable, accounts payable to suppliers, etc.) was sufficient to meet the operating and investing requirements of the Company.

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.

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 U.S. 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. The positive results of these practices are included in the Company's reported sales revenue a gross profits. 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").

## 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 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 | $ 89,374 |
| 2008 | $ 379,549 |
| 2009 | $ 366,911 |
| 2010 | $ 356,955 |
| 2011 | $ 82,448 |
| | **$1,275,237** |

## 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 June 30, 2007 the Company issued the following securities:

   None

   (b) Summary of options granted during the period:

   During the nine months ended June 30, 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 June 30, 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 on 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 June 30, 2007 is 1,943,629 common shares, representing approximately 20 % 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