Consolidated financial statements of

Iplayco Corporation Ltd.

June 30, 2008

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

Iplayco Corporation Ltd.

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Iplayco Corporation Ltd.

(formerly Diversaflow Corporation Ltd.)
Consolidated balance sheets

		June 30 2008 (Unaudited)		Sep 30 2007
ASSETS				
Current				
Cash	$	785,496	$	780,288
Term deposits		400,000		750,833
Accounts receivables		462,131		812,742
Inventory (Note 3)		1,398,030		1,121,309
Income taxes receiveable		149,898		-
Prepaid expenses		165,182		39,292
		3,360,737		3,504,464
Property, plant and equipment (Note 4)		457,075		380,812
Future income taxes		73,912		73,912
	$	3,891,724	$	3,959,188
LIABILITIES				
Current				
Accounts payable	$	817,294	$	724,206
Income taxes payable		-		304,644
Customer Deposits		781,078		206,283
Current portion of capital lease (Note 5)		21,569		35,429
		1,619,941		1,270,562
Capital lease obligations (Note 5)		28,739		42,363
		1,648,680		1,312,925
Commitments (Note 8)				
Capital stock (Note 5)		1,593,925		1,581,475
Contibuted surplus (Note 5)		139,031		67,585
Retained Earnings		510,088		997,203
		2,243,044		2,646,263
	$	3,891,724	$	3,959,188

Approved by the directors

David Wood

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Franco Aquila

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Iplayco Corporation Ltd.

(formerly Diversaflow Corporation Ltd.)

Consolidated statements of income and retained earnings
Nine months ended June 30
(Unaudited)

	3 months ended		9 months ended	
	2008	2007	**2008**	2007
Sales	$ **1,333,742**	$ 2,896,885	$ **5,304,834**	$ 8,385,755
Cost of sales	**1,026,053**	1,461,037	**3,500,867**	4,832,078
Gross Profit	**307,689**	1,435,848	**1,803,967**	3,553,677
Expenses				
Accounting and legal	**10,781**	11,302	**100,612**	77,108
Advertising and promotion	**55,255**	72,708	**224,916**	267,235
Amortization	**28,392**	25.215	**78,449**	67.320
Bad Debt	-	-	**-558**	4.738
Bank charges and interest	**1,658**	5,837	**8,528**	20,228
Foreign exchange loss	**14,181**	161,999	**6,496**	127,770
Insurance	**55,786**	52.272	**168,691**	154.904
Office	**20,143**	17.014	**88,860**	74.181
Rent	**107,070**	76,183	**277,872**	233,240
Repairs and maintenance	**24,142**	33,086	**68,349**	94,915
Salaries and benefits	**432,712**	466,048	**1,215,085**	1,422,029
Utilities	**17,040**	12,574	**53,782**	45,814
	767,160	934,238	**2,291,082**	2,589,482
Income (loss) on operations	**-459,471**	501,610	**-487,115**	964,195
Provision for Income Taxes	-	170,623	-	327,817
Income (loss) for the period	**-459,471**	330,987	**-487,115**	636,378
Retained earnings at beginning of the period	**969,559**	709,530	**997,203**	404,139
Retained earnings at end of the period	$ **510,088**	$ 1,040,517	$ **510,088**	$ 1,040,517
Earnings (loss) per share				
Basic	$ **-0.05**	$ 0 03	$ **-0.05**	$ 0 07
Diluted	$ **-0.05**	$ 0.03	$ **-0.05**	$ 0.07
Weighted average number of common shares				
Basic	**9,768,687**	9,668,687	**9,767,811**	9.668.687
Diluted	**9,768,687**	9,686,687	**9,767,811**	9,686,687

Iplayco Corporation Ltd.

(formerly Diversaflow Corporation Ltd.)

Consolidated statements of cash flows

Nine months ended June 30

(Unaudited)

	3 months ended		9 months ended	
	2008	2007	**2008**	2007
Operating activities				
Net income (loss) for the period	$ **-459,471**	$ 330,986	$ **-487,115**	$ 636,378
Items not involving cash				
Amortization	**28,392**	25.215	**78,449**	67.320
Stock based compensation	-	-	**71,446**	-
	-431,079	**356,201**	**-337,220**	**703,698**
Change on non-cash operating working capital				
Accounts receivable	**294,605**	99.083	**350,610**	-128.301
Inventory	**-221,734**	-164,362	**-276,721**	-177,315
Prepaid expenses	**-69,283**	-3,149	**-125,890**	61,222
Income tax receivable	-	-	-	10,000
Income tax payable	-	178.767	**-454,542**	327,817
Acounts Payable	**226,346**	-279	**93,088**	308.921
Customers' deposits	**624,521**	213,355	**574,795**	-157,188
	854,455	323,415	**161,340**	245,156
	423,376	679,616	**-175,880**	948,854
Investing activities				
Purchase of term deposits	-	-	**(500,000)**	-
sale of term deposits	**100,000**	-	**850,833**	-
Purchase of capital assets	**-78,512**	-69,269	**-154,711**	-156,788
	21,488	-69,269	**196,122**	-156,788
Financing activities				
Net proceeds (repayment) of capital leases	**-9,320**	50.333	**-27,484**	39.592
Proceeds from exercise of stock options and warrants	-	-	**12,450**	-
	-9,320	50,333	**-15,034**	39,592
Change in cash during period	**435,544**	660.680	**5,208**	831.658
Cash at beginning of the period	**349,952**	1,246,249	**780,288**	1,075,271
Cash at end of the period	$ **785,496**	$ 1,906,929	$ **785,496**	$ 1,906,929

Iplayco Corporation Ltd.
Notes to consolidated financial statements
June 30, 2008

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 a major worldwide supplier of custom designed children's indoor and outdoor play structures.

2. Basis of presentation

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

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

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

3. Inventory

	June 30 2008	September 30 2007
Raw materials	**$ 1,013,128**	$ 1,012,408
Work in progress	**384,901**	108,901
	$ 1,398,030	$ 1,121,309

Iplayco Corporation Ltd.
Notes to consolidated financial statements
June 30, 2008

4. Capital assets

		June 30, 2008	
	Cost	Accumulated amortization	Net book value
Automotive	$ 43,870	$ 28,668	$ 15,202
Computer equipment	195,646	115,468	80,178
Furniture and fixtures	52,972	34,753	18,219
Machinery and equipment	225,407	103,331	122,076
Moulds	173,291	72,439	100,852
Leasehold improvements	189,724	69,176	120,548
	$ 880,910	$ 423,835	$ 457,075

Included in capital assets at June 30, 2008 are assets under capital leases with a cost of $141,128 and a net book value of $58,633.

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

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

5. Capital lease obligations

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

	June 30, 2008
2008	$ 10,869
2009	20,979
2010	17,777
2011	8,888
	58,513
Less amount representing interest at 16.1%	8,205
	50,308
Less current portion	(21,569)
	$ 28,739

6. Bank loans

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

An operating loan with a limit of $500,000, bearing interest at prime plus 0.5%;

A non –revolving term loan in the amount of $500,000, repayable in 36 months, bearing interest at prime plus 1.0 %.

No amounts were drawn on these loans as at June 30, 2008.

7. Capital stock

Authorized and issued

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

	Number of shares		Amount
Authorized			
Unlimited Common shares, without par value			
Unlimited Preferred shares, without par value			
Issued, common shares			
Balance, September 30, 2006 and 2007	9,686,687	$	1,581,475
Proceeds on exercise of stock options	82,000		12,450
Balance, June 30, 2008	**9,768,687**	**$**	**1,593,925**

Iplayco Corporation Ltd.
Notes to consolidated financial statements
June 30, 2008

7. Capital stock (continued)

Details of contributed surplus

		June 30, 2008		September 30, 2007
Balance – Beginning of Period	$	**67,585**	$	67,585
Fair value of stock-based compensation		**71,446**		-
Balance – End of Period	$	**139,031**	$	67,585

Stock options and warrants

The Company has an incentive stock option plan (the "Option Plan"). Under the terms of this Option Plan the Board of Directors may grant incentive stock options to directors and employees of the Company and the exercise price is generally determined by reference to the market price of the Company's stock. Vesting and expiry of options may vary at the discretion of the committee, subject to the rules of the stock exchange. The total number of shares issuable pursuant to the Option Plan cannot exceed 10% of the issued and outstanding shares. As at June 30, 2008, the maximum number of options available to be granted under the Option Plan is 976,868 (September 30, 2007 - 968,669).

A summary of stock option and warrant activity follows:

	Number		Weighted average Price
Outstanding at September 30, 2006	455,000	$	0.40
Granted	80,000	$	0.15
Outstanding at September 30, 2007	535,000	$	0.36
Granted	521,500	$	0.23
Exercised	(81,000)	$	0.15
Outstanding at December 31, 2007	975,500	$	0.31
Exercised	(1,000)	$	0.23
Outstanding at June 30 and March 31, 2008	974,500	$	0.31

7. Capital stock (continued)

The following table summarizes information about director and employee stock options outstanding at June 30, 2008, September 30, 2007 and September 30, 2006:

		Options Outstanding			Options Exercisable	
Year	Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
2008	**$ 0.23 - 0.40**	**974,500**	**0.6 Years**	**$ 0.31**	**974,500**	**$ 0.31**
2007	$ 0.15 - 0.40	535,000	1.1 Years	$ 0.36	535,000	$ 0.36
2006	$ 0.40	455,000	1.1 Years	$ 0.40	455,000	$ 0.40

The Company uses the fair value method to account for stock options and warrants granted to employees and consultants. During the nine months ended June 30, 2008 there were 521,500 (September 30, 2007 – 80,000) stock options issued with a fair value of $71,446 (September 30, 2007 - $Nil), and $71,446 credited to contributed surplus. The fair value was estimated using the Black-Scholes option pricing model with the following range of assumptions:

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

Escrowed shares

During the nine months ended June 30, 2008 777,452 (2007 – 927,455) shares were released from escrow. At June 30, 2008, 1,166,177(September 30, 2007 – 1,943,629) common shares are held in escrow. The release of the escrowed shares is governed by the underlying escrow and pooling agreements, and is eligible for release in the fiscal years ended as follows:

2009	777,452
2010	388,725
	1,166,177

8. Commitments

The Company leases premises and certain equipment under long-term operating lease agreements that expire at various dates. Future minimum lease payments over the five years commencing July 1, 2008, including estimated occupancy costs, are as follows:

2008	$ 113,684
2009	561,605
2010	596,034
2011	315,676
2012	268,732
2013	209,406
	$ 2,065,137

9. Financial instruments

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

Accounts receivable with two specific customers represent approximately 83 % of the balance of accounts receivable as at June 30, 2008 (September 30, 2007 two customers represented approximately 25% of accounts receivable). It is the opinion of management that these accounts do not represent a significant credit risk.

The Company has significant sales denominated in U.S. currency and is therefore exposed to financial risk resulting from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company utilizes derivative instruments to reduce its exposure to rate changes.

10. Segmented information and concentration of sales

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

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

Revenues	3 months **2008**	June 30 2007	9 months **2008**	June 30 2007
North America	$ **1,331,515**	$ 2,524,155	$ **4,464,955**	$ 5,630,052
Europe	**1,874**	209,058	**296,767**	634,316
Middle East	**44**	50,134	**66,835**	1,509,134
Asia Pacific	**103**	278	**158,469**	144,179
Latin America	**206**	113,260	**317,808**	468,074
	$ **1,333,742**	$ 2,896,885	$ **5,304,834**	$ 8,385,755

FORM 51-102F1

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE QUARTER ENDING JUNE 30, 2008

IPLAYCO CORPORATION LTD.
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The following discussion and analysis of the financial position of Iplayco Corporation Ltd. ("Iplayco" or the "Company") and results of operations of the Company for the nine months ended June 30, 2008 is the responsibility of management. The Board of Directors carries out its responsibility for review of the disclosure principally through its Audit Committee, which is comprised primarily of independent directors. The Audit Committee reviews this disclosure and recommends its approval by the Board of Directors. The MD&A dated August 26, 2008 is prepared in conformity with National Instrument 51-102F1 and has subsequently been approved by the Board of Directors.

The accompanying unaudited financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles. These statements, together with the following management's discussion and analysis dated August 26, 2008 are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in the MD&A may contain forward-looking statements. These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

The following is a discussion of the consolidated financial condition and results of operations of Iplayco Corporation Ltd. (the "Company"). The analytical comments are current as of August 26, 2008 and should be read in conjunction with the Company's audited consolidated financial statements. Additional information regarding the Company can be found on SEDAR at www.sedar.com. All amounts are stated in CDN dollars.

Forward – Looking Statements

This analysis may contain 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

Nine months ended June 30, 2008 and 2007

Revenue

Iplayco's revenue is derived from the sales of its wholly owned operating subsidiaries International Play Company Inc. ("IPC") and Outdoor Play Company Inc. ("OPC").

IPC and OPC design, manufacture, and market children's modular playground equipment from the Company's factory and head office in Langley, British Columbia. The size and complexity of the play structures dictates the time required to manufacture, ship, and install individual playgrounds; diverse factors such as customer locations, capital budgets, exotic theme requirements and unanticipated delays in installation site readiness, may cause project completion timelines to vary from a few weeks to several months. The Company's products are sold and installed on a worldwide basis; typical markets include family entertainment centers, theme parks, malls, day care centers, fitness clubs, and playground facilities sponsored by municipalities and various nonprofit organizations.

Sales for the three months ended June 30, 2008 were $1,333,742, a decrease of $1,563,143 or 54 % over the prior year.

The decline was attributable primarily to lower North American sales (a reduction of $1,192,640 from last year),

For the year to date, sales of $5,304,834 were $3,080,921 (37%) lower than the comparable period in 2007, due to reduced sales into the Middle East (down by $1,442, 299) and North America (lower by $1.165, 097).

It is management's view that the sales revenue for the first nine months of is not reflective of the continuing current level of the Company's sales and production activity.
Third quarter production and shipments of firm customer orders were significantly backlogged due to customer requests for shipment delays, resulting in depressed sales despite a robust level of contract negotiation and receipt of cash deposits from customers.
As at August 15, 2008, the sales shipped and invoiced in the Company's fourth quarter were $1,873,657, resulting in year to date sales of $7,178,491; firm customer orders in hand total $3,775,790.

Gross Profit

Gross profit of $307,689 during the three months ended June 30, 2008 decreased by $ $1,128,159 (79%) from 2007.
On a year to date basis, gross profit of $1,803,967 for the nine months ended June 30, 2008 decreased by $1,749,710 (49%) from the comparable period in 2007. The decline in the third quarter and year to date 2008 gross profit was due primarily to the decline in sales volume. Sales activity in the first quarter was suppressed by the effects of the downturn in the US economy, and requests by customers for delays in shipment dates contributed significantly to lower third quarter sales.

Operating Expenses

Operating expenses of $767,160 for the three months ended June 30, 2008 were $167,078 (18%) lower than the three month period in the prior year.
Year to date operating expenses of $2,291,082 for the nine month period ended June 30, 2008, were $298,400 (11%) lower than 2007.

The reduction in operating costs for the past three months and year to date ended June 30, 2008 was due mainly to lower costs for salaries and benefits, and reduced foreign exchange losses on translation. Salaries and benefits include payroll and benefit costs for management, administrative and sales staff, and commissions; the reduction in 2008 was due to lower discretionary bonuses and commissions.
A significant portion of the Company's sales are settled in US dollars; the volatility of the rates of exchange between the Canadian and US dollar has been the main cause of foreign exchange gains and losses (see comments in "Foreign Currency Translation").

Profit (Loss) before Income Taxes

For the three months ended June 30, 2008 the Company incurred a net loss on operations of $459,471, ($0.05 per share).
For the nine months ended June 30, 2008, the Company recorded a loss on operations of $ 487,115 as compared to a profit of $964,195 during 2007. The decline in earnings for the year to date was due to lower sales and gross profit in 2008, offset partially by lower year to date operating expenses

Income Taxes

The income statement made no provision for a tax expense, because the Company did not earn a profit on year to date operations.

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 2008	Mar 31 2008	31-Dec 2007	30-Sep 2007	June 30 2007	Mar 31 2007	Dec 31 2006	Sept 30 2006
Sales	$ 1,334	$ 2,167	$ 1,804	$ 2,306	$ 2,897	$ 3,131	$ 2,358	$ 3,007
Net income (loss)	$ (459)	$ 255	$ (283)	$ (43)	$ 331	$ 214	$ 91	$ 347
Earnings (loss) per share								
Basic	$ (0.05)	$ 0.03	$ (0.03)	$ -	$ 0.03	$ 0.02	$ 0.01	$ 0.03
Diluted	$ (0.05)	$ 0.03	$ (0.03)	$ -	$ 0.03	$ 0.02	$ 0.01	$ 0.03

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

(Refer to preceding comments under "Results of Operations")

Second Quarter Ended March 31, 2008 Compared to the Previous Year
Sales for the three months ended March 31, 2008 were $2,167,310, a decrease from the prior year of $963,562 or 31$, due to the absence of sales in the Middle East.
The Company earned a profit of $255,231 on operations before taxes for the three months ended March 31, 2008, as compared to a profit of $324,025 for the comparable period in 2007; the $68,794 decrease was due to lower sales and gross profit in 2008 offset largely by lower operating expenses.

First Quarter Ended December 31, 2007 Compared to the Previous Year
Sales for the three months ended December 31, 2007 were $1,803,782, a decrease of $554,206 or 24% over 2006.

The decrease was attributable primarily to an absence of European sales, and lower North American sales because of the downturn in the United States economy

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

Fourth Quarter Ended September 30, 2007 Compared to the Previous Year

Total sales of 2,306,373 during the three month period ended September 30, 2007 were mainly shipments to the U.S. ($1,726,079, or 75%) as compared to $3,007,637 for the same three month period during 2006.

The Company incurred a loss of $43,000 during the fourth quarter of 2007, a decrease in net income of $390,085 from the previous year. The 2007 fourth quarter loss was caused mainly by the reduced sales level and increasing operating costs due largely to higher salaries, foreign exchange losses, and increased bad debt expenses.

The 2007 fourth quarter foreign exchange losses resulted mainly from recognition in the Company's accounts, of an unrealized loss on conversion of US cash and term deposits held on deposit at September 30, 2007. Subsequent to the fiscal 2007 year end most of the US cash has been converted to Canadian dollars, and the Company has expanded its foreign exchange risk management policies; current practices include hedging and forward contracts, and advisory services from an independent firm of foreign exchange risk management consultants.

Bad debt expense increased by $135,750 because a single customer in the United Kingdom filed for bankruptcy during the fourth quarter of 2007.

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

For the three month period ended June 30, 2007 total sales of $2,896,885 increased by 34% in comparison to $2,160,419 for the same three month period in 2006. Increased sales into North America offset declines in the other geographic areas. The high gross profit was partially offset by increased expenses.

Total operating expenses of $934,238 for the three months ended June 30, 2007 increased by $125,837 (15%) over the comparable period in 2006. The increased costs during the three months period ended June 30, 2007 were principally due to foreign exchange losses.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

Operating activities reduced cash by $175,880 during the nine months ended June 30, 2008, as compared to a cash increase of $948,854 in the prior year. The decrease during the current year resulted mainly from a loss on operations ($337, 220), offset in part by $161,340 net change in non-cash operating working capital, and $196,122 net cash inflow from investing activities.

As a normal course of business, when sales contracts are entered into IPC and OPC collect advance payments from customers on a non refundable basis,; 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. Whereas generally accepted accounting practices require that deposits from customers be treated as liabilities 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.

The Company's management recently announced the planned development of its first 100% company owned and operated Family Entertainment Center (FEC). The new venture, which is situated very near to the Company's head office and factory in Langley B.C., is scheduled to open in the first quarter of the Company's fiscal 2009 year.

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

An operating loan with a limit of $500,000, bearing interest at prime plus 0.5%;this facility was arranged to accommodate short term day revolving cash requirements of the Company's day to day operations.

A non –revolving term loan in the amount of $500,000, repayable in 36 months, bearing interest at prime plus 1.0 % was arranged to assist in the start up costs related to the new (FEC).

No amounts were drawn on these loans as at August 26, 2008.

Management expects to meet its operating cash requirements through fiscal 2008, from cash on hand, cash flow from operations and its committed borrowing capacity (refer also to comments under "Outlook").

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. The Company's expenses are mainly incurred in Canadian dollars, whereas a substantial percentage of 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 quarterly and annual financial statement reporting purposes, the Company converts all non-Canadian dollar monetary balances to balances on hand at the fiscal period ends, at the prevailing exchange rates. The resulting conversion gives rise to unrealized foreign exchange gains or losses, depending on the exchange rates in effect.
To minimize adverse exposure to foreign exchange fluctuations, the Company utilizes foreign exchange hedging, and monitoring of exchange rates for the negotiation of currency spot trades.

Disclosure Controls and Internal Controls

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

OUTLOOK

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

The majority of the Company's sales are made in foreign markets.
Factors that could have a negative impact on future operating results 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. 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.

The Company's management recently announced the planned development of its first 100% company owned and operated Family Entertainment Center (FEC); site development of this new center is now well underway and the new venture is scheduled to open in October, 2008.

The expansion is a logical extension of the Company's core business, and is expected to enhance and stabilize earnings and cash flow. Management is confident that the ability to provide potential customers with ready access to a fully operating, well planned and imaginatively themed entertainment centre will prove to be a powerful marketing tool and will increase profitability.

The Langley center is planned to be the first in a series of operational turn-key facilities in North America.

Commitments

The Company leases premises and certain equipment under operating lease agreements that expire at various dates. Future lease payments over the five years commencing July1, 2008, including estimated occupancy costs, are as follows:

2008	$ 113,684
2009	561,605
2010	596,034
2011	315,676
2012	268,732
2013	209,406
	$ 2,065,137

The summary of future lease payments includes the following:
An additional lease was signed on February 6, 2008 to accommodate the planned new Company owned FEC. The Company entered into an operating lease agreement, commencing on March 1, 2008 to February 28, 2014 with the first ten months of basic rent forgiven during the construction phase. The total minimum lease payments, together with additional rent based on the Company's proportionate share of all operating costs and taxes incurred by the Landlord as defined in the lease (estimated at the approximate 2008 rate of $66,930 per annum) are as follows:

2008	$ 16,372
2009	$197,239
2010	$250,479
2011	$259,098
2012	$268,732
2013	$280,901
2014	$209,406

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 June 30, 2008 the Company has made a possible loss provision in the accounts. The provision is not material, and is considered adequate as at the date of this report.

CONTINGENT LIABILITIES

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

FINANCIAL INSTRUMENTS

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

SHARE DATA

1. Summary of securities issued and options granted.

   (a) Summary of securities issued during the period:

   During the nine months ended June 30, 2008 the Company issued 82,000 shares upon the exercise of stock options ranging from $0.15 to $0.23 per share.

   (b) Summary of options granted during the period:

   During the nine months ended June 30, 2008, 521,500 stock options were granted to employees to purchase common shares at $0.23 per share.

2. Summary of securities as at the end of the reporting period:

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

   (b) Number of shares issued and outstanding: 9,768,687 Common shares.

(c) Summary of options, warrants and securities outstanding:
As at June 30, 2008, there were 455,000 outstanding stock options, exercisable at $0.40 per share, expiring on November 28, 2008, and 519,500 outstanding stock options exercisable at $0.23 per share, expiring on October 5, 2008.

(d) Number of shares in each class of shares subject to escrow or pooling agreements:
The total number of securities of the Company held in escrow as at June 30, 2008 is 1,166,177 common shares, representing approximately 12 % of the class.

LIST OF DIRECTORS AND OFFICERS

As at the date of this report, the following are the directors and officers of the Company:

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

Approved on behalf of the Board

"Scott Forbes"
Scott Forbes, President and Director

"Franco Aquila"
Franco Aquila, CEO and Director