2018

Iplayco Corporation Ltd.

Consolidated Financial Statements

Years ended September 30, 2018 and 2017

(***Expressed in U.S. dollars***)

Iplayco Corporation Ltd.

Table of contents

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Iplayco Corporation Ltd. ("Iplayco" or "the Corporation") and management's discussion and analysis of financial condition and results of operations ("MD&A"), disclosed separately, are the responsibility of management and have been approved by the Board of Directors of the Corporation.

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The preparation of these consolidated financial statements requires that management make judgments, estimates and assumptions that affect the amounts reported in these consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances, in order to ensure fair presentation, in all material respects, of these consolidated financial statements in accordance with IFRS. Management has also prepared the MD&A, disclosed separately, on a basis that is consistent with these consolidated financial statements.

Iplayco maintains systems of internal controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving these consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board, and its four members are independent directors. The Audit Committee meets periodically with management and the independent auditors to discuss internal controls over financial reporting, auditing matters and financial issues, to ensure that each party is properly discharging its responsibilities. The Audit Committee also reviews the consolidated financial statements, the independent auditor's report, and the MD&A. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the independent auditors. The accompanying consolidated financial statements have been audited in accordance with Canadian generally accepted auditing standards by Deloitte LLP on behalf of the shareholders of Iplayco. Deloitte LLP has full and free access to the Audit Committee.

/s/ Max Liszkowski, CPA, CA	*/s/* Scott Forbes
Chief Financial Officer	*President & Chief Executive Officer and Director*

Deloitte LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 778-374-0496
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of Iplayco Corporation Ltd.

We have audited the accompanying consolidated financial statements of Iplayco Corporation Ltd., which comprise the consolidated statements of financial position as at September 30, 2018 and September 30, 2017, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Iplayco Corporation Ltd. as at September 30, 2018 and September 30, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
December 4, 2018
Vancouver, British Columbia

Iplayco Corporation Ltd.

Consolidated Statements of Financial Position

(Expressed in U.S. dollars)

	Notes	2018	2017 (Revised - See Note 2)	2016 (Revised - See Note 2)
			September 30,	
Assets				
Current assets				
Cash		**$ 2,798,928**	$ 3,599,119	$ 3,894,965
Finance receivables	*11, 22(b)(ii)*	**-**	4,594,870	2,840,400
Trade and other receivables	*22(b)(ii)*	**2,906,832**	5,886,475	7,147,030
Income taxes receivable		**417,473**	-	446,725
Inventories	*6*	**2,338,552**	2,211,991	1,674,177
Prepaid expenses and deposits		**660,588**	349,030	340,633
		9,122,373	16,641,485	16,343,930
Non-current assets				
Equipment	*7*	**1,687,942**	1,798,347	1,523,559
Intangible assets	*8, 13*	**697,089**	-	-
Goodwill	*8, 13*	**117,109**	-	-
Deferred income tax assets		**43,860**	70,426	74,341
Total Assets		**$ 11,668,373**	$ 18,510,258	$ 17,941,830
Liabilities and Shareholders' Equity				
Current liabilities				
Operating loans	*10*	**$ 330,000**	$ -	$ 2,468,880
Securitization debt	*11*	**-**	4,135,383	2,638,800
Trade payables, accrued liabilities and other	*14*	**1,866,124**	1,541,098	1,792,033
Income taxes payable		**17,144**	360,401	-
Customer deposits and deferred revenue		**2,621,847**	1,603,641	1,395,820
Current portion of rent inducement	*19*	**25,579**	12,812	4,028
		4,860,694	7,653,335	8,299,561
Non-current liabilities				
Rent inducement	*19*	**89,906**	111,704	106,607
Deferred income tax liabilities	*20*	**41,558**	49,957	59,065
Total Liabilities		**4,992,158**	7,814,996	8,465,233
Shareholders' Equity				
Share capital	*15*	**5,944,971**	8,511,821	8,511,821
Warrants reserve		**397,982**	397,982	397,982
Share-based payments reserve		**216,583**	216,583	216,583
Retained earnings		**1,418,287**	2,518,940	1,857,434
Accumulated other comprehensive loss		**(1,301,608)**	(950,064)	(1,507,223)
Total Shareholders' Equity		**6,676,215**	10,695,262	9,476,597
Total Liabilities and Shareholders' Equity		**$ 11,668,373**	$ 18,510,258	$ 17,941,830

/s/ Scott Forbes — President & CEO

/s/ Mel Barsky — Chairman of the Board

The accompanying notes form an integral part of these Consolidated Financial Statements.

Iplayco Corporation Ltd.

Consolidated Statements of Operations and
Comprehensive Income (Loss)

(Expressed in U.S. dollars, except number of shares)

		Years ended September 30,	
	Notes	**2018**	2017 (Revised - See Note 2)
Sales	*17*	**$ 12,989,939**	$ 15,111,977
Cost of sales	*18*	**8,140,574**	8,456,218
Gross profit		**4,849,365**	6,655,759
Selling and administrative expenses	*18*	**6,742,559**	4,965,495
Foreign exchange loss (gain)		**(175,438)**	547,559
		6,567,121	5,513,054
Operating income (loss)		**(1,717,756)**	1,142,705
Finance income		**435,173**	-
Finance costs		**(187,895)**	(150,615)
Income (loss) before income taxes		**(1,470,478)**	992,090
Income tax provision (recovery)			
Current	*20*	**(410,849)**	337,082
Deferred	*20*	**41,024**	(6,498)
		(369,825)	330,584
Net income (loss) from operations		**(1,100,653)**	661,506
Other comprehensive income (loss)			
Currency translation adjustments		**(7,364)**	-
Total comprehensive income (loss)		**(1,108,017)**	661,506
Basic and diluted net income (loss) per common share		**$ (0.05)**	$ 0.03
Weighted average number of common shares outstanding : Basic and diluted		**20,549,228**	20,870,187

The accompanying notes form an integral part of these Consolidated Financial Statements.

Iplayco Corporation Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in U.S. dollars, except number of common shares)

	Share capital[(1)] Number of common shares	Share capital[(1)] Amount	Warrants reserve[(2)]	Share-based payments reserve[(3)]	Retained earnings	Accumulated other comprehensive income (loss)[(4)]	Total shareholders' equity
Balance at September 30, 2016 (Revised - See Note 2)	20,870,187	$ 8,511,821	$ 397,982	$ 216,583	$ 1,857,434	$ (1,507,223)	$ 9,476,597
Net income and total comprehensive income (Revised - See Note 2)	-	-	-	-	661,506	-	661,506
Adjustment to accumulated other comprehensive income (loss) resulting from change in presentation currency (Note 2)	-	-	-	-	-	557,159	557,159
Balance at September 30, 2017 (Revised - See Note 2)	20,870,187	$ 8,511,821	$ 397,982	$ 216,583	$ 2,518,940	$ (950,064)	$ 10,695,262
Shares repurchased and cancelled (Note 15)	**(10,650,000)**	**(2,500,000)**	-	-	-	-	**(2,500,000)**
Share repurchase costs, net of income taxes (Note 15)	-	**(66,850)**	-	-	-	-	**(66,850)**
Net loss	-	-	-	-	**(1,100,653)**	-	**(1,100,653)**
Other comprehensive loss (Note 2)	-	-	-	-	-	**(7,364)**	**(7,364)**
Adjustment to accumulated other comprehensive income (loss) resulting from change in presentation currency (Note 2)	-	-	-	-	-	**(344,180)**	**(344,180)**
Balance at September 30, 2018	**10,220,187**	**$ 5,944,971**	**$ 397,982**	**$ 216,583**	**$ 1,418,287**	**$ (1,301,608)**	**$ 6,676,215**

(1) Authorized share capital is comprised of an unlimited number of voting common shares without par value and an unlimited number of preferred shares without par value. The preferred shares may be issued as either voting or non-voting. No preferred shares have been issued.

(2) The warrants reserve is comprised of the grant date fair value of share purchase warrants that have expired unexercised.

(3) The share-based payments reserve is comprised of the grant date fair value of share options that have expired unexercised.

(4) The accumulated other comprehensive income or loss is comprised of the retrospective change in presentation currency from the Canadian dollar to the U.S. dollar and the currency translation adjustments from the Corporation's European subsidiaries PMI and PP.

The accompanying notes form an integral part of these Consolidated Financial Statements.

Iplayco Corporation Ltd.

Consolidated Statements of Cash Flows

(Expressed in U.S. dollars)

	Notes	Years ended September 30, 2018	2017 (Revised - See Note 2)
Operating activities			
Net income (loss)		**$ (1,100,653)**	$ 661,506
Items not affecting cash			
Depreciation and amortization	*7, 8*	**427,028**	333,205
Deferred income taxes expense (recovery)	*20*	**41,024**	(6,498)
Rent inducement		**(5,091)**	8,288
Unrealized loss (gain) on foreign exchange derivatives	*14, 22(b)*	**(24,630)**	27,776
Loss on disposal of equipment		**4,292**	15,699
Unrealized foreign exchange loss (gain)		**(722)**	290,917
Finance costs		**187,895**	150,613
		(470,857)	1,481,506
Change in non-cash operating working capital			
Finance receivables		**4,493,176**	(1,532,756)
Trade and other receivables		**1,760,982**	1,334,395
Inventories		**(175,434)**	(439,670)
Prepaid expenses		**(332,354)**	11,857
Trade payables, accrued liabilities and other		**(7,658)**	(350,488)
Current income tax expense (recovery)	*20*	**(410,849)**	337,081
Customer deposits and deferred revenue		**1,051,846**	129,879
		6,379,709	(509,702)
Interest paid		**(186,101)**	(150,613)
Income taxes paid (recovered)		**(349,881)**	433,439
Cash provided by operating activities		**5,372,870**	1,254,630
Investing activities			
Acquisition of European operations	*13*	**(386,084)**	-
Purchase of equipment	*7*	**(361,164)**	(530,506)
Purchase of intangible assets	*8*	**(76,642)**	-
Cash used in investing activities		**(823,890)**	(530,506)
Financing activities			
Proceeds from operating loans	*10*	**1,203,880**	3,588,543
Repayment of operating loans	*10*	**(856,000)**	(6,057,423)
Proceeds from securitization debt		**-**	6,444,986
Repayment of securitization debt		**(4,043,852)**	(4,948,403)
Repurchase of shares	*15*	**(1,500,000)**	-
Transaction costs for repurchase of shares	*15*	**(90,338)**	-
Cash used in financing activities		**(5,286,310)**	(972,297)
Net decrease in cash		**(737,330)**	(248,173)
Effect of foreign exchange rate changes on cash		**(62,861)**	(47,673)
Cash at beginning of the year		**3,599,119**	3,894,965
Cash at end of the year		**$ 2,798,928**	$ 3,599,119
Supplemental cash flow disclosures - non cash transactions			
Purchase of equipment		**$ 11,705**	$ 7,036
Purchase of intangible assets		**(23,925)**	-
Acquisition of European operations	*13*	**384,561**	-
Repayment of operating loans		**17,880**	
Settlement of operating loans with proceeds from securitization debt		**-**	3,830,880
Repayment of securitization debt		**91,531**	
Settlement of trade receivables from repurchase of shares	*15*	**1,000,000**	-

The accompanying notes form an integral part of these Consolidated Financial Statements.

(Expressed in U.S. dollars)

1. Nature of business and corporate information

Iplayco Corporation Ltd. (the "Corporation") is incorporated under the Alberta Business Corporations Act and its common shares trade on the TSX Venture Exchange under the trading symbol "IPC".

The Corporation's head office is located at 215, 27353 – 58th Crescent, Langley, British Columbia, Canada V4W 3W7, and its registered office is located at 1600, 421 – 7th Avenue SW, Calgary, Alberta, Canada T2P 4K9.

The Corporation's business is carried out through its subsidiaries listed below. The Corporation operates in two business segments: (i) Manufacturing of play structures for children ("MFG"); and (ii) Operating a family entertainment centre in Langley, British Columbia, Canada and managing a network of 28 franchisees located throughout Italy under the Play Planet banner (collectively "FEC").

Subsidiary	Place of incorporation	Ownership percentage	Business segment
International Play Company Inc. ("IPC")	British Columbia, Canada	100.0%	MFG
Iplayco Canada Inc. ("ICI")	Alberta, Canada	100.0%	MFG
Iplayco Inc. ("IPI")	Delaware, USA	100.0%	MFG
IREC Corporation ("IREC")	Subic Bay, Philippines	99.9%	MFG
Play Mart International EOOD ("PMI")	Sofia, Bulgaria	100.0%	MFG
Outdoor Play Company Inc. ("OPC")	British Columbia, Canada	100.0%	FEC
Play Planet S.r.l. ("PP")	Milan, Italy	100.0%	FEC

2. Basis of preparation

Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements were authorized for issue by the Board of Directors on December 4, 2018.

Basis of measurement

These Consolidated Financial Statements have been prepared on a going-concern basis, under the historical cost convention.

Functional and presentation currency

On April 1, 2018, the Corporation determined that the functional currency of its two European subsidiaries, PMI and PP, changed from the Canadian dollar ("CAD") to the Euro ("EUR") due to their net cash flow exposures being predominantly in EUR. The functional currency of the Corporation and its other subsidiaries changed from the CAD to the U.S. dollar ("USD") due to the diminishing net cash flow exposures in CAD, since the acquisition of the European operations, and the USD becoming the predominant currency impacting net cash flows. This change in accounting treatment is applied prospectively and the assets and liabilities of the Corporation have been translated from the CAD to the USD at the exchange rate on the date of change of the functional currency.

2. Basis of preparation (continued)

Functional and presentation currency (continued)

In addition, the Corporation has changed its presentation currency from CAD to USD. Accordingly, all comparative amounts in the consolidated statements of operations and comprehensive income or loss, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows have been revised in USD using the average foreign exchange rates in the comparative periods. The comparative amounts for assets and liabilities in the consolidated statements of financial position have been revised in USD at the closing rate applicable at the end of each reporting period, and those for equity accounts have been re-presented using the rates at the date of the transactions. All resulting exchange rate differences are reported as accumulated other comprehensive income or loss in the consolidated statements of changes in shareholders' equity.

The change in presentation currency resulted in the following impact on the statement of financial position as at September 30, 2017:

				September 30, 2017
		Reported in CAD		**Revised in USD**
Total Assets	$	23,100,915	**$**	**18,510,258**
Total Liabilities		9,753,112		**7,814,996**
Total Shareholders' Equity		13,347,803		**10,695,262**

3. Significant accounting policies

Basis of consolidation

These Consolidated Financial Statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities over which the Corporation exercises control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefits from its activities, which is generally the case when owning more than half of the voting rights. The accounts of subsidiaries are included in Consolidated Financial Statements from the date that control commences to the date that control ceases. Intercompany balances, transactions and revenues and expenses have been eliminated in the Consolidated Financial Statements. The accounting policies of the Corporation's subsidiaries are consistent with the policies adopted by the Corporation.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Corporation and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at each reporting date. The resulting exchange gains and losses are recognized through net income (loss) and total comprehensive income (loss). Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis in net income (loss) and total comprehensive income (loss).

3. Significant accounting policies (continued)

Financial instruments

(i) Financial assets

The Corporation initially recognizes loans and receivables and deposits on the date that they are originated and all other financial assets on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial assets at fair value through net income (loss) and total comprehensive income (loss):

Financial assets are classified at fair value through net income (loss) and total comprehensive income (loss) if they are held for trading or if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's treasury policies. Financial assets at fair value through net income (loss) and total comprehensive income (loss) are measured at fair value, with changes to their fair value recognized through net income (loss) and total comprehensive income (loss).

Loans and receivables:
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, net of transaction costs, and subsequently at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of the Corporation's cash, cash equivalents, finance receivables, and trade and other receivables.

The Corporation's cash and cash equivalents consist of cash on deposit and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

Determination of fair value:

The fair value of financial assets at fair value through net income (loss) and total comprehensive income (loss) and available-for-sale are determined by reference to their quoted closing bid price at the reporting date if they are traded in an active market. For derivative instruments, including foreign exchange forward contracts, fair value is estimated based on forward exchange rates, from observable forward exchange rates at the end of the reporting period, and contract forward rates, discounted at a rate that reflects the credit risk of the counterparties. The fair value of loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Financial liabilities

Financial liabilities are comprised of the Corporation's operating loans, securitization debt, and trade payables and accrued liabilities. The financial liabilities are initially recognized on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. These financial liabilities are recognized initially at fair value, net of transaction costs, and subsequently are measured at amortized cost using the effective interest method. Fair value is determined based on the present value of future cash flows, discounted at the market rate of interest.

3. Significant accounting policies (continued)

Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out method, and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes materials, labour and appropriate share of production overhead based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand and design, which would impair the value of inventory on hand.

Equipment and depreciation

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components).

Equipment is amortized from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use, using the following methods less residual value over the estimated useful lives of the assets as follows:

Automotive	30% declining balance
Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Machinery and equipment	20% declining balance
Moulds	30% declining balance
Leasehold improvements	Straight-line over lease term

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognized net in net income (loss) and total comprehensive income (loss).

Intangible assets

The Corporation has trademarks and trade names which are identifiable intangible assets for which the expected useful life is indefinite. The trademarks and trade names represent the value of brand names acquired in business acquisitions which management expects will provide benefit to the Corporation for an indefinite period. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

The Corporation also has trade names which are intangible assets with definite lives. The estimated useful life of intangible assets with definite lives is the period over which the assets are expected to contribute to the Corporation's future cash flows.

3. Significant accounting policies (continued)

Intangible assets (continued)

When determining the useful life, management considers the expected use of the asset, useful life of any related intangible asset, any legal, regulatory or contractual provisions that limit the useful life, any legal, regulatory, or contractual renewal or extension provisions without substantial costs or modifications to the existing terms and conditions, the effects of obsolescence, demand, competition and other economic factors, and the expected level of maintenance expenditures relative to the cost of the asset required to obtain future cash flows from the asset.

Trade names which are intangible assets with finite lives are amortized on a straight-line basis over 10 years.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed in a business combination. Goodwill has an indefinite life, is not amortized, and is subject to a two-step impairment test on an annual basis. The first step compares the fair value of the reporting unit to its carrying amount, which includes the goodwill. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. If the carrying amount exceeds the implied fair value of the goodwill, the second step measures the amount of the impairment loss. If the carrying amount exceeds the fair value of the goodwill, an impairment loss is recognized equal to that excess.

Leases

Leases where the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset together with a corresponding long-term liability is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset and the liability is measured at amortized cost using the effective interest rate method. Other leases are operating leases and not recognized in the statement of financial position.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognized through net income (loss) and total comprehensive income (loss) on a straight-line basis over the term of the lease. Lease incentives received are recognized as a reduction to the lease expense over the term of the lease.

Impairment

(i) Financial assets

Financial assets not carried at fair value through net income (loss) and total comprehensive income (loss) are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

3. Significant accounting policies (continued)

Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets other than inventories and income taxes are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset, or cash-generating unit, is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized through net income (loss) and total comprehensive income (loss). Impairment losses recognized in respect of the cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

For non-financial assets other than goodwill, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

Revenue recognition

The Corporation generates revenue from the following principle sources:

- The sale and installation of play structure equipment by its manufacturing operations ("Manufacturing Operations"); and
- Admission fees, redemption games, the sale of concession goods, and franchise royalties by its family entertainment centre operations ("FEC Operations").

Revenue is measured at the fair value of the consideration received or receivable.

3. Significant accounting policies (continued)

Revenue recognition (continued)

(i) Revenue Recognition – Manufacturing Operations

Revenue from the sale of equipment is recognized when all the following conditions are satisfied:

- The Corporation has transferred to the customer the significant risks and rewards of ownership of the equipment;
- The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the equipment sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Arrangements that include the sale of equipment and installation services are accounted for as multiple element revenue transactions. The equipment and the installation services are separate units of accounting in the arrangement because the equipment has stand-alone value, as it is sometimes sold separately, and because there are no general return or refund rights. Arrangement consideration is allocated to the separate units of accounting based on their relative selling price (the relative selling price method). When applying the relative selling price method, the selling price for each deliverable is determined using vendor-specific objective evidence of selling price, if it exists, otherwise third-party evidence of selling price. If neither vendor-specific objective evidence nor third-party evidence of selling price exists for a deliverable, the Corporation uses its best estimate of the selling price for that deliverable when applying the relative selling price method.

None of the amount allocable to the equipment is contingent upon performing the installation. The consideration allocated to the installation services is not recognized as revenue at the time of the initial sale transaction, but is deferred and recognized as revenue upon completion of the installation of equipment and when the Corporation's obligations have been fulfilled.

On long-term fixed price contracts for the sale of larger play structures, revenues are recognized on the percentage of completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative costs incurred as at the reporting date by the sum of incurred and anticipated costs for completing the contract. The cumulative effect of changes to anticipated revenues and anticipated costs for completing the contract are recognized in the period in which the revisions are identified. In the event that the anticipated costs exceed the anticipated revenues on the contract, such loss is recognized in its entirety in the period it becomes known.

Amounts received from customers in excess of revenue recognized on uncompleted contracts are recorded as deferred revenue.

3. Significant accounting policies (continued)

Revenue recognition (continued)

(ii) Revenue Recognition – FEC Operations

Revenue from admission fees, redemption games, and the sale of concession goods are recognized at the point of sale. Amounts received from customers for future admissions are recorded as customer deposits.

Franchise royalties are recognized as revenue when earned and collectability is reasonably assured. Royalties collected in advance are deferred until earned.

Finance costs

Finance costs are comprised of interest expense on loans, finance leases, unwinding of the discount on provisions and impairment losses recognized on financial assets.

Income taxes

Income taxes are comprised of current and deferred income taxes. Income tax is recognized in net income (loss) and total comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible for income tax purposes. Current income tax is calculated using income tax rates and laws that were enacted or substantively enacted at the reporting date.

Deferred income tax is recorded using the liability method. Under this method, the Corporation calculates temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the period end date. Deferred income tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using income tax rates that are expected to apply to the year of realization or settlement based on income tax rates and laws enacted or substantively enacted at the period end date.

Temporary differences are not recorded for the initial recognition of assets or liabilities that do not affect accounting or taxable profit and differences relating to investments in subsidiaries, to the extent that the Corporation is able to control the reversal of such differences, and it is probable that such differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the Corporation intends to settle its current income tax assets and liabilities on a net basis.

Employee future benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income (loss) and total comprehensive income (loss) in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3. Significant accounting policies (continued)

Employee future benefits (continued)

The Corporation's defined contribution plan is a group registered retirement savings plan ("Group Plan") in which full-time employees are eligible to participate. The Group Plan provides for eligible employees to receive matching contributions from the Corporation at pre-defined rates.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash or share bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based compensation plan

The Corporation uses the fair-value based method of accounting for share-based compensation for all awards of share options granted. The resulting compensation expense, based on the fair value of the awards granted is charged through net income (loss) and total comprehensive income (loss) over the period that the employees unconditionally become entitled to the award, with a corresponding increase to the share-based payments reserve. Fair values of share options are calculated using the Black-Scholes valuation method as of the grant date and estimated for forfeitures. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

At each reporting date, the Corporation reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision through net income (loss) and total comprehensive income (loss) with a corresponding adjustment to equity.

The Corporation issues share options under its share-based compensation plans as described in Note 16. Any consideration paid by employees on exercise of share options or purchase of shares, together with the amount initially recorded in the share-based payments reserve, is credited to share capital.

Net income per share

Basic net income per common share is calculated using the weighted average number of common shares outstanding during the year. Diluted net income per share reflects the potential dilution of common share equivalents, such as outstanding stock options, if any, in the weighted average number of common shares outstanding during the year, if dilutive.

For this purpose, the "treasury stock method" is used for the assumed proceeds upon the exercise of outstanding stock options that are used to purchase common shares at the average market price during the period.

Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Corporation's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the Corporation's President & Chief Executive Officer. The Corporation's President & Chief Executive Officer is considered the chief operating decision-maker and has the authority for resource allocation and is responsible for assessing the Corporation's performance.

4. Critical accounting estimates and judgments

The preparation of these Consolidated Financial Statements requires the Corporation's management to make judgments, estimates and assumptions that affect the amounts reported in these financial statements and the accompanying notes. Actual results may differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions critical to the determination of carrying value of the Corporation's assets and liabilities are discussed below:

Functional currency

The Corporation has performed an analysis with respect to its functional currency and that of its subsidiaries. The functional currency of the Corporation's European subsidiaries PMI and PP is the EUR, since these entities denominate their sales prices in EUR and generate substantially all their revenues in EUR. The functional currency of the Corporation's subsidiaries IPC, ICI, IPI and IREC is the USD, since these entities denominate their sales prices in USD and generate substantially all their revenues in USD.

Revenue

Revenue recognized on the percentage of completion basis consists of recognizing revenue on a given contract proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative costs incurred as at the reporting date by the sum of incurred and anticipated costs for completing the contract. Changes in management's estimated costs to complete a contract may result in an adjustment to previously recognized revenues.

Allowance for doubtful accounts and sales adjustments

In determining whether trade receivables are collectible from customers, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. If future collections differ from management's estimates, future earnings would be affected.

Inventory

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate impairment amount for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in design, sales trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have an impact on the value of inventory on hand, appropriate adjustments are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required.

4. Critical accounting estimates and judgments (continued)

Equipment

Management estimates the useful lives of equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear or commercial obsolescence. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Corporation's equipment in the future.

Income taxes

The Corporation's manufacturing operations generates sales from customers located in various tax jurisdictions and as a result, the Corporation's income may become subject to taxation in those jurisdictions. The complexity of tax regulations requires assessments of uncertainties and judgments in estimating the taxes the Corporation will ultimately pay. The final taxes paid may be dependent upon many factors, including negotiations with various taxing authorities, outcomes of potential tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these potential uncertainties and the associated final taxes may result in adjustments to the Corporation's tax assets and tax liabilities.

The Corporation estimates deferred income taxes based upon temporary differences between the assets and liabilities that it reports in its Consolidated Financial Statements and the tax bases of its assets and liabilities as determined under applicable tax laws. The amount of deferred tax assets recognized is generally limited to the extent that it is probable that taxable profit will be available against which the related deductible temporary differences can be utilized. Therefore, the amount of the deferred income tax asset recognized and considered realizable could be reduced if projected income is not achieved.

5. New accounting pronouncements

The following applicable pronouncements issued by the IASB are effective for the Corporation's annual accounting periods beginning after September 30, 2018.

Revenues recognition

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts,* and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. The Corporation has chosen the modified retrospective method, and as a result the 2018 comparative period will not be restated to conform to the new IFRS 15 requirements.

(Expressed in U.S. dollars)

5. New accounting pronouncements (continued)

Revenues recognition (continued)

Management has completed its analysis of the guidance and does not expect the adoption of IFRS 15 to have a material impact on Corporation's Consolidated Financial Statements. The timing of recognizing revenue from its manufacturing operations will be impacted as follows:

- For multiple element revenue transactions which are recognized on a percentage of completion basis, the performance obligation relevant to shipping of the play structure equipment will be recognized at a point in time, upon completion of the performance obligation, instead of over time, as the obligation is being performed. The timing of revenue recognition for the other performance obligations will remain unchanged.

- For multiple element revenue transactions which are not recognized on a percentage of completion basis, the performance obligations relevant to design-manufacturing and installation will be recognized over time, as these obligations are being performed, instead of at a point in time, upon completion of the performance obligations. The performance obligation relevant to shipping of the play structure equipment will be recognized at a point in time, upon completion of the performance obligation.

Management anticipates recording the following estimated adjustments upon transition to IFRS 15 on October 1, 2018:

		October 1, 2018
Increase in trade receivables	**$**	**409,000**
Decrease in work in progress inventory		**(251,000)**
Increase in prepaid expenses		**21,000**
Increase in total assets	**$**	**179,000**
Increase in retained earnings	**$**	**179,000**

Financial instruments

IFRS 9, *Financial Instruments* ("IFRS 9") replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single model for impairment. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. Management has completed its analysis of the guidance and does not expect the adoption of IFRS 9 to have an impact on Corporation's Consolidated Financial Statements.

Leases

IFRS 16, *Leases* ("IFRS 16"), which will replace IAS 17, *Leases*, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees, as well as new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Corporation will adopt IFRS 16 effective October 1, 2019. The Corporation is acting as a lessee for its leases.

(Expressed in U.S. dollars)

5. New accounting pronouncements (continued)

Leases (continued)

Management has performed a preliminary review of the new guidance as compared to the Corporation's current accounting policies, including a review of the various practical expedients and other elections available under the new guidance, an analysis of the Corporation's significant existing leases for treatment under the new guidance and an analysis estimating the potential impact on the Consolidated Financial Statements. Management will review these impacts in more detail before deciding on the adoption method.

Based on the Corporation's current portfolio of leases, management expects:

- an increase in long-term assets and liabilities, due to the new requirements to record right-of-use assets and related liabilities for operating leases by lessees;
- an increase in cash flows from operating activities and a decrease in cash flows from financing activities, as operating lease payments will be reclassified to financing cash flows as components of interest and lease obligations; and
- an insignificant change to net earnings, but with reclassification of amounts between costs within operating profit and finance costs as operating lease costs are reclassified into amortization of the right-of-use asset and interest expense on the related lease obligation.

Management will continue to refine its models and assumptions in 2019 for these calculations, develop reporting processes to meet the new disclosure requirements, and analyze any new leases or changes to the Corporation's current lease portfolio.

Other new accounting pronouncements

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation’s Consolidated Financial Statements.

6. Inventories

	September 30, 2018	September 30, 2017 (Revised - See Note 2)
Raw materials	**$ 1,618,949**	$ 1,400,763
Work in progress	**279,705**	133,871
Finished goods	**439,898**	677,357
Total inventory	**$ 2,338,552**	$ 2,211,991

Inventories included in cost of sales for the year ended September 30, 2018 amount to $6,396,219 (September 30, 2017 - $6,203,584).

No allowance for inventory obsolescence was recorded at September 30, 2018 and 2017.

(Expressed in U.S. dollars)

7. Equipment

	Automotive	Computer Equipment	Furniture and Fixtures	Machinery and Equipment	Moulds	Leasehold Improvements	Total
Carrying amount at September 30, 2016 (Revised - See Note 2)	$ 46,947	$ 216,757	$ 124,152	$ 484,135	$ 40,717	$ 610,851	$ 1,523,559
Additions	15,505	81,302	9,006	353,532	4,504	66,657	530,506
Disposals	-	(163)	-	(15,536)	-	-	(15,699)
Depreciation	(15,440)	(69,971)	(23,274)	(118,742)	(11,737)	(94,041)	(333,205)
Effect of currency translation	2,766	12,283	5,670	40,497	1,738	30,232	93,186
Carrying amount at September 30, 2017 (Revised - See Note 2)	$ 49,778	$ 240,208	$ 115,554	$ 743,886	$ 35,222	$ 613,699	$ 1,798,347
Balance at September 30, 2017 comprised of:							
Cost	$ 97,462	$ 528,768	$ 233,103	$ 1,861,371	$ 157,517	$ 1,137,448	$ 4,015,669
Accumulated depreciation	(49,166)	(296,682)	(121,098)	(1,140,401)	(123,336)	(541,588)	(2,272,271)
Effect of currency translation	1,482	8,122	3,549	22,916	1,041	17,839	54,949
Carrying amount (Revised - See Note 2)	$ 49,778	$ 240,208	$ 115,554	$ 743,886	$ 35,222	$ 613,699	$ 1,798,347
Carrying amount at September 30, 2017 (Revised - See Note 2)	**$ 49,778**	**$ 240,208**	**$ 115,554**	**$ 743,886**	**$ 35,222**	**$ 613,699**	**$ 1,798,347**
Additions from business combination (Note 13)	**-**	**350**	**1,074**	**$ -**	**$ -**	**$ -**	**1,424**
Additions	**34,691**	**131,101**	**47,582**	**155,627**	**-**	**3,868**	**372,869**
Disposals	**-**	**(3,966)**	**-**	**-**	**(326)**	**-**	**(4,292)**
Depreciation	**(13,791)**	**(80,712)**	**(24,373)**	**(139,657)**	**(8,952)**	**(154,940)**	**(422,425)**
Effect of currency translation	**(1,608)**	**(9,761)**	**(4,255)**	**(23,476)**	**(1,041)**	**(17,840)**	**(57,981)**
Carrying amount at September 30, 2018	**$ 69,070**	**$ 277,220**	**$ 135,582**	**$ 736,380**	**$ 24,903**	**$ 444,787**	**$ 1,687,942**
Balance at September 30, 2018 comprised of:							
Cost	**$ 132,153**	**$ 655,713**	**$ 281,742**	**$ 2,016,998**	**$ 147,823**	**$ 1,141,316**	**$ 4,375,745**
Accumulated depreciation	**(62,951)**	**(376,778)**	**(145,420)**	**(1,279,992)**	**(122,920)**	**(696,529)**	**(2,684,590)**
Effect of currency translation	**(132)**	**(1,715)**	**(740)**	**(626)**	**-**	**-**	**(3,213)**
Carrying amount	**$ 69,070**	**$ 277,220**	**$ 135,582**	**$ 736,380**	**$ 24,903**	**$ 444,787**	**$ 1,687,942**

8. Intangible assets and goodwill

	Brands	Franchise Contracts	Trade Names	Goodwill	Total
Carrying amount at September 30, 2017	$ -	$ -	$ -	$ -	$ -
Additions from business combination (Note 13)	597,177	54,289	-	117,109	768,575
Additions	-	-	52,717	-	52,717
Amortization	-	-	(4,603)	-	(4,603)
Effect of currency translation	-	-	(2,491)	-	(2,491)
Carrying amount at September 30, 2018	$ 597,177	$ 54,289	$ 45,623	$ 117,109	$ 814,198
Balance at September 30, 2018 comprised of:					
Cost	$ 597,177	$ 54,289	$ 52,717	$ 117,109	$ 821,292
Accumulated Amortization	-		(4,603)	-	(4,603)
Effect of currency translation	-		(2,491)	-	(2,491)
Carrying amount	$ 597,177	$ 54,289	$ 45,623	$ 117,109	$ 814,198

9. Credit facilities

The Corporation has the following credit facilities (the "Credit Facilities") with financial institutions in Canada, Bulgaria, Italy and the Philippines:

(a) Overdraft Facilities

(i) Canada:

Demand revolving loan of up to $600,000 Canadian dollars ($465,000 in U.S. dollars) bearing interest at the Canadian bank's prime rate plus 1.50% per annum and margined by trade receivables and certain equipment of the Corporation. At September 30, 2018 and 2017, no amounts were drawn under this facility.

(ii) Bulgaria:

In June 2018, the Corporation's subsidiary PMI obtained a demand revolving loan of up to €1,500,000 ($1,740,000 in U.S. dollars), maturing on June 30, 2019, bearing interest at the one-month EURIBOR plus 3.00% per annum, and secured by a standby letter of credit of issued by the Canadian bank (Note 9(d)). At September 30, 2018, no amounts were drawn under this facility.

(iii) Italy:

In June 2018, the Corporation's subsidiary PP obtained a demand revolving loan of up to €500,000 ($580,000 in U.S. dollars), maturing on January 31, 2019, bearing interest at an annual nominal rate of 1.05%, and secured by a standby letter of credit issued by the Canadian Bank (Note 9(d)). At September 30, 2018, no amounts were drawn under this facility.

9. Credit facilities (continued)

(a) Overdraft Facilities (continued)

(iv) Philippines:

In June 2018, the Corporation's subsidiary IREC obtained a demand revolving loan of up to $1,000,000, maturing on March 31, 2019, bearing interest at the Philippine bank's prevailing lending rate, and secured by a standby letter of credit issued by the Canadian bank (Note 9(d)). At September 30, 2018, $330,000 was drawn under this facility (Note 10).

(b) Export Loan Facility - Canada

The Export Loan Facility is comprised of a manufacturer's advance facility in the form of a demand revolving line of $4,000,000 ("Operating Loan Facility") and a trade invoice non-recourse financing facility in the form of a demand revolving line of $7,920,000 ("Securitization Facility").

Operating Loan Facility

Under the Operating Loan Facility, the Corporation may finance up to 60% of customer purchase orders approved by the Canadian bank. The Operating Loan Facility bears interest at the U.S. dollar London Interbank Offered Rate ("USD LIBOR") plus 4.00% per annum and is payable on demand or within 160 days of funding (Note 10).

Securitization Facility

Under the Securitization Facility, the Corporation may sell to the Canadian bank select insured trade receivables net of a discount fee of USD LIBOR plus 3.50% (Note 11).

(c) Foreign Exchange Loan Facility - Canada

The Foreign Exchange Loan Facility is a demand revolving line of $1,840,000 for the purchase of foreign exchange forward contracts and options up to an aggregate of $8,000,000 with a maximum maturity of 12 months (Note 22(b)(i)b)).

(d) Standby Letters of Credit - Canada

Standby Letters of Credit of €1,500,000 ($1,740,000 in U.S. dollars), €500,000 ($580,000 in U.S. dollars) and $1,000,000, expiring on July 31, 2019, March 31, 2019, and June 19, 2019, respectively, have been issued to secure the credit facilities of the Corporation's subsidiaries, PMI, PP and IREC. The Standby Letters of Credit bear fees of 1.50% per annum and are secured by export guarantees issued by Export Development Canada.

(e) Guarantee Line - Canada

The Guarantee Line of $2,900,000 provides for the issuance of bank guarantees in favour of beneficiaries approved by the Canadian bank. The Guarantee Line bears a fee of 1.50% per annum and is secured by export guarantees issued by Export Development Canada.

All amounts outstanding under the Guarantee Line are repayable by the Corporation upon demand by the Canadian Bank.

At September 30, 2018 and 2017, no amounts were drawn under the Guarantee Line.

(Expressed in U.S. dollars)

9. Credit facilities (continued)

The Credit Facilities are governed and secured by a general security agreement creating a first-priority security interest in all property of the Corporation. The conditions of credit include compliance with various covenants. At September 30, 2018, all financial ratios and tests have been met.

10. Operating loans

For the years ended September 30, 2018 and 2017, the Corporation obtained the following proceeds from operating loans and made the following repayments using proceeds from the sale of select trade receivables under its Securitization Facility:

		Carrying Amounts
Balance at September 30, 2016 (Revised - See Note 2)		2,468,880
Proceeds from operating loans		3,588,543
Repayment of operating loans		(2,226,543)
Repayment using proceeds from securitization debt		(3,830,880)
Balance at September 30, 2017 (Revised - See Note 2)	**$**	**-**
Proceeds from operating loans		**1,186,000**
Repayment of operating loans		**(856,000)**
Effect of currency translation (Note 2)		**17,880**
Net realized foreign exchange gain on repayment		**(17,880)**
Balance at September 30, 2018	**$**	**330,000**

11. Finance receivables and securitization debt

The carrying amounts of finance receivables are comprised of trade receivables, which have been sold to a large Canadian financial institution (the "Bank"), net of a retainer, representing the portion of the proceeds retained by the Bank to reduce their exposure to potential credit losses.

Upon completion of the sale, the finance receivables are not derecognized since the Corporation does not transfer substantially all risks and rewards relevant to the sale of the finance receivables. The servicing of the finance receivables remains the responsibility of the Corporation and the Bank retains the right of recourse against the Corporation if any finance receivable is not collected by the Bank on its due date. Any finance receivable not collected by the Bank on its due date is subject to payment upon demand to the Bank at the Bank's U.S. dollar annual prime rate plus 3.00% per annum payable monthly in arrears.

(Expressed in U.S. dollars)

11. Finance receivables and securitization debt (continued)

All finance receivables outstanding as of September 30, 2017 have been repaid during the year ended September 30, 2018.

	September 30, 2018	September 30, 2017 (Revised - See Note 2)
Finance receivables	**$ -**	$ 4,594,870
Less: Retainer	**-**	(459,487)
Securitization debt	**$ -**	$ 4,135,383

12. Related party transactions

Pursuant to the transactions described in Note 15, the Corporation acquired and cancelled 10,650,000 of its common shares from its ultimate parent company, Saudi FAS Holding Company ("FAS") on September 20, 2018 (the "Acquired Shares"). The Acquired Shares represented FAS' entire ownership position in the Corporation, therefore some of the entities controlled by FAS, which were also customers of the Corporation (the "Affiliates"), ceased to be affiliated with the Corporation on September 20, 2018.

The following sales were made to the Affiliates:

	Years ended September 30, 2018	Years ended September 30, 2017 (Revised - See Note 2)
Sales	**$ 515,416**	$ 4,975,955

The Corporation's finance receivables include the following amounts due from the Affiliates:

	September 30, 2018	September 30, 2017 (Revised - See Note 2)
Finance receivables	**$** -	$ 4,594,870

The Corporation's trade and other receivables include the following amounts due from the Affiliates:

	September 30, 2018	September 30, 2017 (Revised - See Note 2)
Trade receivables	**$ -**	$ 4,867,487

13. Business combination

On October 19, 2017, the Corporation entered into agreements covering purchases of assets, intellectual property, and product distribution with three companies possessing long-established brands and sales networks in continental Europe. The agreements encompass the acquisition of a franchising business with one employee, the revenue stream from 28 franchisees, and the purchase of various assets from Italy-based companies Play Way S.r.l. and The Play Company S.r.l. ("TPC"). Also included is an intellectual property agreement with TPC and a distribution agreement with TPC and its wholly owned subsidiary Play Mart Co. S.r.l. Upon completion of the acquisition, the Corporation became the owner of the intellectual property rights to the Play Mart and Play Planet brands, as well as the Play Planet franchising business. The distribution agreements are for the supply of playground equipment. The financial terms of the transactions involve an aggregate cash purchase price of €450,000 ($525,762 in U.S. dollars) and 15% of pre-tax annual earnings until September 30, 2022, with no maximum, of the Corporation's European operations, comprised of PP and PMI (the "Contingent Consideration").

The fair value of the identifiable assets acquired, and liabilities assumed, as at October 19, 2017 are as follows:

Assets acquired		
Inventories	$	**17,090**
Equipment		**1,424**
Intangible assets		**651,466**
Total assets acquired		**669,980**
Liabilities assumed		
Trade payables and accrued liabilities		**16,444**
Total liabilities assumed		**16,444**
Net assets acquired	$	**653,536**

Cash paid at acquisition date	$	**350,105**
Estimated fair value at acquisition date of bank guarantees issued with restricted cash to secure balance of purchase price payable in cash		**164,650**
Estimated fair value of Contingent Consideration at acquisition date		**255,890**
Total estimated purchase price		**770,645**
Less: Net assets acquired		**653,536**
Goodwill	$	**117,109**

On October 19, 2017, the Corporation paid €300,000 ($350,105 in U.S. dollars) in cash and issued bank guarantees of €150,000 ($175,052 in U.S. dollars) to secure the balance of purchase price payable in three installments of €50,000 ($58,351 in U.S. dollars) on April 18, 2018, October 18, 2018 and April 18, 2019, respectively.

(Expressed in U.S. dollars)

13. Business combination (Continued)

The purchase price for the acquisition also includes the fair value of the Contingent Consideration, which has been estimated to be $255,890 at the acquisition date. The Contingent Consideration will be remeasured to fair value at each reporting period with changes recorded in the statement of operations and comprehensive income or loss. The fair value of the Contingent Consideration is dependent on management's forecasts and expectations of the Corporation's European operations' pre-tax earnings over the next four years, currently estimated to aggregate between $4.0 million and $5 million, resulting in an undiscounted Contingent Consideration estimated to aggregate between $0.60 million and $0.75 million. The Contingent Consideration was remeasured as at September 30, 2018 and there is no material change in the reported fair value.

The amount of goodwill recorded upon acquisition represents the excess of the purchase price paid over the individually identifiable and separately recognizable assets. None of the goodwill is expected to be deductible for tax purposes.

From October 19, 2017 to September 30, 2018, PMI had cost of sales and operating expenses of $969,301 and sales to external customers of $930,262, and PP had cost of sales and operating expenses of $194,748 and revenues from franchisees of $67,574.

14. Trade payables, accrued liabilities and other

	September 30,	
	2018	2017 (Revised - See Note 2)
Trade payables	**$ 469,246**	$ 473,653
Accrued liabilities	**1,329,804**	966,206
Foreign exchange financial derivative	**-**	24,871
Warranty provision	**67,074**	76,368
	$ 1,866,124	$ 1,541,098

15. Share capital

On September 20, 2018, the Corporation acquired and cancelled 10,650,000 of its common shares pursuant to a share purchase agreement dated July 18, 2018 (the "Acquisition") with FAS Entertainment B.C. Ltd., Saudi FAS Holding Company, and Billy Games Company Ltd. (collectively "FAS"). The Corporation acquired 10,650,000 of its common shares from FAS (the "Acquired Shares"), with the cash consideration of $2,500,000 and an offer of price discounts of up to $1,000,000 towards future purchases of playground equipment from the Corporation. The Acquired Shares represented FAS' entire ownership position in the Corporation and constituted 51.03% of all of the Corporation's common shares issued and outstanding.

As part of the Acquisition, the Corporation incurred transaction costs of $90,338, which have been recorded in reduction of share capital, net of deferred income taxes of $23,488.

(Expressed in U.S. dollars)

16. Share options

The Corporation has an incentive share option plan (the "Option Plan"). Under the terms of this Option Plan, the Board of Directors may grant incentive share options to directors and employees of the Corporation, and the exercise price is generally determined by reference to the market price of the Corporation's shares on the grant date. Vesting and expiry of options may vary at the discretion of the Corporation's Compensation Committee, subject to the rules of the stock exchange. The contractual life of the options is generally for one year. The total number of shares issuable pursuant to the Option Plan cannot exceed 10% of the issued and outstanding shares.

At September 30, 2018, the maximum number of share options available to be granted under the Option Plan is 1,022,019 (2017 - 2,087,018). There are no share options outstanding at September 30, 2018 and 2017.

17. Sales contracts

The Corporation recorded the following sales and related direct costs, receivables, deposits and deferred revenue from fixed-priced sales contracts recognized using the percentage of completion basis of accounting in accordance with the revenue recognition policies described in Note 3 and Note 4:

	Years ended September 30,	
	2018	2017 (Revised - See Note 2)
Sales	**$ 5,715,150**	$ 6,844,629
Direct costs incurred	**2,755,275**	4,142,675
	$ 2,959,875	$ 2,701,954

	September 30,	
	2018	2017 (Revised - See Note 2)
Unbilled receivables	**$ 297,287**	$ -
Customer deposits and deferred revenue	**104,876**	160,030

(Expressed in U.S. dollars)

18. Cost of sales and selling and administrative expenses

	Years ended September 30, 2018	2017 (Revised - See Note 2)
Cost of materials	**$ 3,482,976**	$ 3,514,922
Shipping, installation and other	**1,962,144**	2,522,936
Short-term employee benefits	**2,489,482**	2,247,513
Post-employment benefits	**16,590**	16,145
Depreciation	**189,382**	154,702
Total cost of sales	**$ 8,140,574**	$ 8,456,218

	Years ended September 30, 2018	2017 (Revised - See Note 2)
Short-term employee benefits	**$ 2,375,205**	$ 1,914,447
Post-employment benefits	**56,876**	54,584
Marketing, advertising and related expenditures	**1,283,533**	473,943
Travel and related expenditures	**505,727**	313,478
Rent, utilities, telecom and occupancy costs	**1,312,434**	1,185,280
Professional fees and insurance costs	**861,882**	735,478
Depreciation	**237,646**	178,502
Bank charges and bad debts	**109,256**	109,783
Total selling and administrative expenses	**$ 6,742,559**	$ 4,965,495

Selling and administrative expenses include the following compensation paid to executive management personnel, comprised of the Corporation’s President & Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer:

	Years ended September 30, 2018	2017 (Revised - See Note 2)
Short-term employee benefits	**$ 537,606**	$ 616,377
Post-employment benefits	**24,958**	24,346
	$ 562,564	$ 640,723

(Expressed in U.S. dollars)

19. Commitments

The Corporation leases premises and certain equipment under long-term operating lease agreements that expire at various dates to April 24, 2023. At September 30, 2018, the future minimum lease payments, including estimated occupancy costs, are as follows:

		September 30, 2018
Due within 1 year	$	1,155,396
Between 1 year and 5 years		1,552,824
	$	2,708,220

For the year ended September 30, 2018, selling and administrative expenses include operating lease costs of $965,393 (September 30, 2017 - $829,673).

At September 30, 2018 and 2017, rent inducements consist of rent abatement periods and escalating rent from various operating leases for office and warehouse space.

20. Income taxes

The approximate tax effect of temporary differences for income tax purposes that gives rise to the Corporation's deferred income tax assets and liabilities is as follows:

		September 30, 2018		September 30, 2017 (Revised - See Note 2)
Net deferred income tax assets at beginning of the year	**$**	**20,469**	$	15,276
Deferred income tax asset from share repurchase costs		**23,488**		-
Deferred income tax recovery		**(41,024)**		6,498
Effect of currency translation		**(631)**		(1,305)
Net deferred income tax assets at end of the year	**$**	**2,302**	$	20,469
Components of deferred income tax assets:				
Non-capital losses carried forward	**$**	**5,016**	$	-
Timing differences on rent inducement and various accrued expenses		**53,859**	$	89,881
Share issuance & repurchase costs		**36,529**		34,486
		95,404		124,367
Component of deferred income tax liabilities:				
Equipment		**(93,102)**		(103,898)
Net deferred income tax assets at end of the year	**$**	**2,302**	$	20,469

(Expressed in U.S. dollars)

20. Income taxes (continued)

	September 30, 2018	September 30, 2017 (Revised - See Note 2)
Aggregation by taxable entity:		
Deferred income tax assets	**$ 43,860**	$ 70,426
Deferred income tax liabilities	**(41,558)**	(49,957)
Net deferred income tax assets at end of the year	**$ 2,302**	$ 20,469

The future benefit of the deductible temporary differences, that gives rise to the deferred income tax assets, has been recognized in these Consolidated Financial Statements as management estimates that it is probable the future income tax benefit will be utilized.

At September 30, 2018, the Corporation had capital losses carried forward for income tax purposes of $50,538 (September 30, 2017 - $51,750) for which the benefit was recognized in the subsequent year.

The Corporation's effective income tax rate differs from the combined Canadian federal and provincial statutory income tax rate for manufacturing and processing companies. The principal factors causing the difference are as follows:

	Years ended September 30, 2018	Years ended September 30, 2017 (Revised - See Note 2)
Income (loss) before income taxes	**$ (1,470,478)**	$ 992,090
Combined Canadian and provincial statutory income tax rate	**26.00%**	26.00%
Expected income tax expense (recovery)	**$ (382,324)**	$ 257,943
Effect of income tax expense in foreign jurisdictions	**23,953**	61,129
Non-deductible and other expenses (recovery)	**(11,454)**	9,903
Effect of change in functional currency	**-**	1,609
Income tax provision (recovery)	**$ (369,825)**	$ 330,584
Effective income tax rate	**25.15%**	33.32%
Allocation of income tax provision (recovery):		
Current	**$ (410,849)**	$ 337,082
Deferred	**41,024**	(6,498)
	$ (369,825)	$ 330,584

(Expressed in U.S. dollars)

21. Capital management

The Corporation's capital is comprised of operating loans, securitization debt and shareholders' equity as follows:

	September 30, 2018	2017 (Revised - See Note 2)
Operating loans	**$ 330,000**	$ -
Securitization debt	**-**	4,135,383
Shareholders' equity	**6,676,215**	10,695,262
	$ 7,006,215	$ 14,830,645

The Corporation's objective, when managing capital, is to maintain sufficient liquidity for normal operating and capital expenditures, while maintaining an adequate return for shareholders.

The Corporation funds its working capital requirements in part with cash and cash equivalents, and available credit facilities described in Note 9, which include a overdraft facilities, an operating loan facility, and a securitization facility. The credit facilities are subject to annual renewals.

The Corporation chooses securitization as part of its capital strategy to limit its credit risk when offering extended credit terms to certain customers with larger orders. Although the servicing of finance receivables remains the responsibility of the Corporation, securitization debt is non-recourse to the Corporation and the retainer of 10% represents the Corporation's maximum exposure to impaired finance receivables.

The Corporation's debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. At September 30, 2018, all financial ratios and tests have been met.

The Corporation manages its capital structure to maintain the flexibility to adjust to changes in economic conditions and to respond to interest rate, foreign exchange, credit, and other market risks.

In management's opinion, the Corporation's capital and ongoing cash flows from operations are sufficient to fund its anticipated contractual obligations, future operations, and capital expenditures.

(Expressed in U.S. dollars)

22. Financial instruments and risk management

(a) Classification of financial instruments and fair value

The following table summarizes information relating to the Corporation's financial instruments:

Class of Financial Instruments	Categories in Consolidated Statements of Financial Position	Carrying Amounts September 30, 2018	 2017 (Revised - See Note 2)
Loans and receivables financial assets measured at amortized cost	Cash and cash equivalents, finance receivables, and trade and other receivables	**5,705,760**	14,080,464
Financial liabilities measured at amortized cost	Operating loans, securitization debt, trade payables and accrued liabilities	**2,129,050**	5,600,113

The carrying values of cash and cash equivalents, finance receivables, trade and other receivables, and trade payables and accrued liabilities approximate their respective fair values due to their short-term maturities.

The operating loans and securitization debt bear interest at variable rates and their carrying values approximate their fair values.

Fair value measurements recognized in the statements of financial position must be categorized in accordance with the following levels:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities;

(ii) Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability directly (as prices) or indirectly (derived from prices); and

(iii) Level 3 – Inputs that are not based on observable market data (involves assumptions and estimates by management of how market participants would price the asset or liability).

At September 30, 2018 and 2017, all of the Corporation's financial assets and liabilities were measured at amortized cost, except for the foreign exchange financial derivative liability at September 30, 2017 (September 30, 2018 – nil), which fair value is determined by quoted prices categorized in Level 1.

(b) Risks and risk management

Financial instruments may expose the Corporation to a number of financial risks, including market risk (interest rate risk and currency risk), credit risk and liquidity risk. The Corporation's overall risk management program seeks to mitigate these risks and reduce the volatility that may otherwise affect its financial performance.

The risks associated with the Corporation's financial instruments and the Corporation's policies for minimizing these risks are detailed below.

22. Financial instruments and risk management (continued)

(b) Risks and risk management (continued)

(i) Market risk

a) Interest rate risk

Interest rate risk refers to the risk that the fair value of a financial instrument or the future cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Corporation's interest rate risk arises primarily from its operating loans and securitization debt, which are subject to variable interest rates.

The Corporation manages interest rate risk on its debt portfolio by controlling the mix of liabilities with fixed and variable interest rate obligations and attempting to ensure access to diverse sources of funding.

At September 30, 2018, a sensitivity analysis was performed assuming the Corporation's borrowing interest rates change by 2%, or 200 basis points. For every increase of 2% to the Corporation's borrowing interest rate, with all other variables held constant, the net loss and total comprehensive loss for the year ended September 30, 2018 would increase by approximately $2,000. A decrease in interest rates would have the opposite effect. At September 30, 2017, the same analysis was performed and the impact to the year ended September, 2017 was approximately $28,000.

b) Currency risk

Currency risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in foreign currency exchange rates.

The Corporation's sales are primarily denominated in U.S. dollars and it incurs expenses in Canadian dollars, Bulgarian Leva, Euros, and Philippine Pesos (collectively the "Foreign Currencies"), therefore exposing the Corporation to financial risk resulting from fluctuations in foreign exchange rates and the degree of volatility of these rates.

A sensitivity analysis has been performed assuming the foreign exchange rate changes by 5% at September 30, 2018 and 2017. For every 5% strengthening of U.S. dollar against the Foreign Currencies, with all other variables held constant, the net loss and total comprehensive loss for the year ended September 30, 2018 would increase by approximately $72,000 (September 30, 2017 – net loss and total comprehensive loss would increase by approximately $37,000). A weakening of the U.S. dollar against the Foreign Currencies would have the opposite effect. The increase in sensitivity to exchange rate changes between the U.S. dollar and the Foreign Currencies is due to an increase in the Corporation's net assets denominated in Euros and Bulgarian Leva from $74,126 and nil in U.S. dollars, respectively, at September 30, 2017, and to $559,844 and $215,603 in U.S. dollars, respectively, at September 30, 2018.

The Corporation manages its currency risk in part by entering into foreign exchange forward contracts.

During the year ended September 30, 2018, the Corporation recorded a net foreign exchange loss of $46,403 on its U.S. dollar to Canadian dollar foreign exchange forward contracts (September 30, 2017 – net loss of $27,373).

22. Financial instruments and risk management (continued)

(b) Risks and risk management (continued)

At September 30, 2018, the Corporation has no outstanding foreign exchange forward contracts. At September 30, 2017, the Corporation had foreign exchange forward contracts outstanding with a total commitment to sell $2,000,000 U.S. dollars and purchase $2,462,802 Canadian dollars at exchange rates ranging from 1.21113 to 1.25167, with maturity dates from December 1, 2017 to February 9, 2018. The mark-to-market fair value of the foreign exchange forward contracts outstanding at September 30, 2017 represents a liability of $25,094 for the Corporation and was recorded as an unrealized foreign exchange loss in the consolidated statements of operations and comprehensive income (loss).

(ii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The carrying amounts of cash and cash equivalents, trade and finance receivables recorded in the consolidated statements of financial position represent the Corporation's maximum exposure to credit risk.

The credit risk associated with the Corporation's cash and cash equivalents is limited because these financial assets are held through large financial institutions with high investment grade ratings.

The Corporation performs ongoing credit evaluations of its customers and purchases third party insurance on trade receivables from customers with larger orders.

At September 30, 2018, there are no finance receivables outstanding (September 30, 2017 - $4,594,870 and represented the entire balance of finance receivables).

At September 30, 2018, there are no trade receivables from entities affiliated with the Corporation (September 30, 2017 - $4,867,487 and represented approximately 83% of the balance of trade receivables, of which $1,886,187 was past due).

At September 30, 2018, trade receivables of $1,778,163 from two customers, representing approximately 64% of the balance of trade receivables, are past due (September 30, 2017 - $1,588,047 was past due from two customers with trade receivables amounting to $3,525,893 and representing approximately 60% of the balance of trade receivables).

Management expects collection of the entire balance of trade receivables. Of the trade receivables past due by more than 90 days, $1,338,545 (or 63%) are insured by a third party. Should the customer default on payment, such insurance coverage would pay 90% of the outstanding balance, leaving an unrecoverable balance of 10%, or $133,855 at September 30, 2018.

(Expressed in U.S. dollars)

22. Financial instruments and risk management (continued)

(b) Risks and risk management (continued)

(ii) Credit risk (continued)

The following table provides the aging of trade receivables:

	September 30, 2018		September 30, 2017 (Revised - See Note 2)	
Trade receivables				
Current	**$**	**436,815**	$	3,124,386
31 to 60 days		**39,318**		75,604
61 to 90 days		**23,906**		7,932
91 days +		**2,128,872**		2,707,721
		2,628,911		5,915,643
Unbilled receivables from sales arrangments recognized on a percentage of completion basis of accounting		**297,287**		-
Other receivables		**124,080**		42,260
Allowance for doubtful accounts		**(143,446)**		(71,428)
	$	**2,906,832**	$	5,886,475

The following table reflects the movement in the allowance for doubtful accounts:

	September 30, 2018		September 30, 2017 (Revised - See Note 2)	
Balance at beginning of the year	**$**	**71,428**	$	14,037
Write-offs		**(11,304)**		(4,178)
Recoveries		**-**		(9,170)
Increase (decrease) in allowance		**83,322**		70,739
Balance at end of the year	**$**	**143,446**	$	71,428

(Expressed in U.S. dollars)

22. Financial instruments and risk management (continued)

(b) Risks and risk management (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due.

The Corporation manages its liquidity risk through maintaining cash and access to credit facilities, and adheres to its capital management policies outlined in Note 21.

The following table provides a summary of the Corporation's contractual obligations at September 30, 2018:

		Payments due by period		
	Total	Within 1 year	1-3 years	4-5 years
Operating loans, including interest	**$ 330,000**	330,000	$ -	$ -
Trade payables, accrued liabilities and other	**1,866,124**	1,866,124	-	-
Operating leases	**2,708,220**	1,155,396	1,551,522	1,302
	$ 4,904,344	$ 3,351,520	$ 1,551,522	$ 1,302

(Expressed in U.S. dollars)

23. Segment reporting and concentration of sales

(a) Business segments

The Corporation operates in the Manufacturing ("MFC") and Family Entertainment Centres ("FEC") business segments.

The accounting policies of these two business segments are the same as those described in Note 3. Inter-segment balances, transactions and revenues and expenses are eliminated upon consolidation.

Information related to these two business segments' operations is as follows:

	Year ended September 30, 2018		
	MFG	**FEC**	**Total**
Sales to external customers	$ 11,853,958	$ 1,135,981	$ 12,989,939
Cost of sales	7,505,691	634,883	8,140,574
Gross profit	4,348,267	501,098	4,849,365
Selling and administrative expenses	6,037,839	704,720	6,742,559
Foreign exchange loss (gain)	(186,003)	10,565	(175,438)
Finance income	(435,173)	-	(435,173)
Finance costs	187,895	-	187,895
Income tax recovery	(346,843)	(22,982)	(369,825)
Other comprehensive loss (income)	7,936	(572)	7,364
Total comprehensive loss	$ (917,384)	$ (190,633)	$ (1,108,017)
Total assets	$ 11,025,562	$ 642,811	$ 11,668,373
Total liabilities	$ 4,864,418	$ 127,740	$ 4,992,158
Depreciation expense	$ 289,688	$ 137,340	$ 427,028
Purchase of equipment and intangible assets	$ 415,669	$ 11,341	$ 427,010

(Expressed in U.S. dollars)

23. Segment reporting and concentration of sales (continued)

(a) Business segments (continued)

	Year ended September 30, 2017 (Revised - See Note 2)		
	MFG	FEC	Total
Sales to external customers	$ 14,114,338	$ 997,639	$ 15,111,977
Cost of sales	7,870,288	585,930	8,456,218
Gross profit	6,244,050	411,709	6,655,759
Selling and administrative expenses	4,527,989	437,506	4,965,495
Foreign exchange loss	547,559	-	547,559
Finance costs	150,615	-	150,615
Income tax expense (recovery)	342,403	(11,819)	330,584
Net income (loss)	$ 675,484	$ (13,978)	$ 661,506
Total assets	$ 17,907,385	$ 602,873	$ 18,510,258
Total liabilities	$ 7,688,055	$ 126,941	$ 7,814,996
Depreciation expense	$ 232,550	$ 100,655	$ 333,205
Purchase of equipment	$ 461,083	$ 69,423	$ 530,506

(b) Geographic and customer information

At September 30, 2018, 71% of the Corporation's assets were in Canada, 19% in Europe and 10% in the Philippines.

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

	Years ended September 30,	
	2018	2017 (Revised - See Note 2)
Sales		
Canada	**$ 2,281,504**	$ 2,040,544
Americas	**5,035,889**	6,616,066
Other	**5,672,546**	6,455,367
	$ 12,989,939	$ 15,111,977

For the year ended September 30, 2018, sales to significant customers, all from the manufacturing business segment, amounted to $1,585,155 (2017 – $4,975,955, all from Affiliates of the Corporation).

Management's Discussion and Analysis

This discussion and analysis of financial condition and results of operations ("MD&A") of Iplayco Corporation Ltd. ("Iplayco", "the Corporation", "we", "us", or "our") is prepared as of December 4, 2018 and should be read together in conjunction with our annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2018 and 2017.

The results reported herein are presented in U.S. dollars, unless otherwise stated, and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 about Iplayco, including our Management Proxy Circular, are filed with Canadian securities regulatory authorities on SEDAR at www.sedar.com and are also available on our website at www.iplaycoltd.com.

Overview

Iplayco is incorporated under the Alberta Business Corporations Act and its common shares trade on the TSX Venture Exchange under the trading symbol "IPC". Iplayco's business is carried out through its wholly owned subsidiaries Iplayco Inc., Iplayco Canada Inc., International Play Company Inc., Outdoor Play Company Inc., IREC Corporation, Play Planet S.r.l and Play Mart International EOOD. Iplayco operates in two business segments: (i) Manufacturing of play structures for children, from its production plants in Langley, British Columbia, Canada, Subic Bay, Philippines and Sofia, Bulgaria ("Manufacturing" or "MFG"); and (ii) Operating a family entertainment centre in Langley, British Columbia, Canada and managing a network of 28 franchisees located throughout Italy under the Play Planet banner (collectively "Family Entertainment Centre" or "FEC").

Change in Functional and Presentation Currency

On April 1, 2018, the Corporation determined that the functional currency of its two European subsidiaries, Play Mart International EOOD and Play Planet S.r.l, has changed from the Canadian dollar ("CAD") to the Euro ("EUR") due to their net cash flow exposures being predominantly in EUR. The functional currency of the Corporation and its other subsidiaries has changed from the CAD to the U.S. dollar ("USD") due to the diminishing net cash flow exposures in CAD, since the acquisition of the European operations, and the USD becoming the predominant currency impacting net cash flows. This change in accounting treatment is applied prospectively and the assets and liabilities of the Corporation have been translated from the CAD to the USD at the exchange rate on the date of change of the functional currency.

In addition, the Corporation has changed its presentation currency from CAD to USD. Accordingly, all comparative amounts in the consolidated statements of operations and comprehensive income or loss, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows have been re-presented in USD using the average foreign exchange rates in the comparative periods. The comparative amounts for assets and liabilities in the consolidated statements of financial position have been revised in USD at the closing rate applicable at the end of each reporting period, and those for equity accounts have been re-presented using the rates at the date of the transactions. All resulting exchange rate differences are reported as accumulated other comprehensive income or loss in the consolidated statements of changes in shareholders' equity.

The change in presentation currency resulted in the following impact on the statement of financial position as at September 30, 2017:

		September 30, 2017		
		Reported in CAD		**Revised in USD**
Total Assets	$	23,100,915	**$**	**18,510,258**
Total Liabilities		9,753,112		**7,814,996**
Total Shareholders' Equity		13,347,803		**10,695,262**

Share Purchase Agreement

On September 20, 2018, the Corporation acquired and cancelled 10,650,000 of its common shares pursuant to a share purchase agreement dated July 18, 2018 (the "**Acquisition**") with FAS Entertainment B.C. Ltd., Saudi FAS Holding Company, and Billy Games Company Ltd. (collectively "**FAS**"). The Corporation acquired 10,650,000 of its common shares from FAS (the "**Acquired Shares**"), with the cash consideration of $2,500,000 and an offer of price discounts of up to $1,000,000 towards future purchases of playground equipment from the Corporation. The Acquired Shares represented FAS' entire ownership position in the Corporation and constituted 51.03% of all of the Corporation's common shares issued and outstanding.

Highlights of the Acquisition:

- FAS owned 10,650,000 common shares of Iplayco (51.03% of issued and outstanding common shares), purchased by way of a private placement in November 2014;
- Iplayco purchased all common shares held by FAS for Cash Consideration of $2,500,000 and the Future Purchase Credit;
- The Cash Consideration of $2,500,000 was comprised of $1,500,000 in cash and $1,000,000 in settlement of trade receivables (the "**Trade Receivable Amount**");
- The Future Purchase Credit is the right to receive a non-assignable credit (unless assigned to an affiliate of FAS) to a maximum aggregate amount of $1,000,000 in the form of five purchase price discounts of 20% each to be applied toward future purchases by FAS of playground equipment from Iplayco on or before September 29, 2021;
- Upon completion of the Acquisition and cancellation of the Acquired Shares, Iplayco has 10,220,187 common shares issued and outstanding;

Adoption of Advance Notice By-Law

On July 18, 2018, the Board approved certain amendments to the Corporation's By law No. 1 (the "**By-law Amendment**") with immediate effect, to require provisions requiring advance notice of director nominees from Shareholders (the "**Advance Notice Provisions**"). The full text of the By-law Amendment is available at the Canadian Securities Administrators' website at www.sedar.com.

The purpose of the Advance Notice Provisions is to ensure that an orderly nomination process is observed, that Shareholders are well informed about the identity, intentions and credentials of director nominees and that Shareholders vote in an informed manner after having been afforded reasonable time for appropriate deliberation. Among other things, the Advance Notice Provisions fix a deadline by which Shareholders must provide notice to the Corporation of nominations for election to the Board. The notice must include all information that would be required to be disclosed, under applicable corporate and securities laws, in a dissident proxy circular in connection with the solicitations of proxies for the election of directors relating to the Shareholder making the nominations (as if that Shareholder were a dissident soliciting proxies) and each person that the Shareholder proposes to nominate for election as a director. In addition, the notice must provide information as to the shareholdings of the Shareholder making the nominations, confirmation that the proposed nominees meet the qualifications of directors and residency requirements imposed by corporate law, and confirmation as to whether each proposed nominee is independent for the purposes of National Instrument 52 110 Audit Committees. The deadline by which the notice must be delivered to the Corporation is set out in the table below.

Meeting Type	Nomination Deadline
Annual meeting of Shareholders	Either (a) no more than 10 days after the date of the first public filing or announcement of the date of the meeting, if the meeting is called for a date that is fewer than 50 days after the date of that public filing or announcement or (b) no fewer than 30 days and no more than 65 days prior to the date of the meeting.
Special meeting of Shareholders (which is not also an annual meeting)	No more than 15 days after the date of the first public filing or announcement of the date of the meeting.

The Advance Notice Provisions do not affect nominations made pursuant to Shareholder proposals or the requisition of a meeting of Shareholders, in each case made in accordance with the provisions of Business Corporations Act (Alberta) ("ABCA").

Business Combination

On October 19, 2017, the Corporation entered into agreements covering purchases of assets, intellectual property, and product distribution with three companies possessing long-established brands and sales networks in continental Europe. The agreements encompass the acquisition of a franchising business with one employee, the revenue stream from 28 franchisees, and the purchase of various assets from Italy-based companies Play Way S.r.l. and The Play Company S.r.l. ("TPC"). Also included is an intellectual property agreement with TPC and a distribution agreement with TPC and its wholly owned subsidiary Play Mart Co. S.r.l. Upon completion of the acquisition, the Corporation became the owner of the intellectual property rights to the Play Mart and Play Planet brands, as well as the Play Planet franchising business. The distribution agreements are for the supply of playground equipment. The financial terms of the transactions involve an aggregate cash purchase price of €450,000 ($525,762 in U.S. dollars) and 15% of pre-tax annual earnings until September 30, 2022, with no maximum, of the Corporation's European operations, comprised of PP and PMI (the "Contingent Consideration").

On October 19, 2017, the Corporation paid €300,000 ($350,105 in U.S. dollars) in cash and issued bank guarantees of €150,000 ($175,052 in U.S. dollars) to secure the balance of purchase price payable in three installments of €50,000 ($58,351 in U.S. dollars) on April 18, 2018, October 18, 2018 and April 18, 2019, respectively.

The purchase price for the acquisition also includes the fair value of the Contingent Consideration, which has been estimated to be $255,890 at the acquisition date. The Contingent Consideration will be remeasured to fair value at each reporting period with changes recorded in the statement of operations and comprehensive income or loss. The fair value of the Contingent Consideration is dependent on management's forecasts and expectations of the Corporation's European operations' pre-tax earnings over the next four years, currently estimated to aggregate between $4.0 million and $5 million, resulting in an undiscounted Contingent Consideration estimated to aggregate between $0.60 million and $0.75 million. The Contingent Consideration was remeasured as at September 30, 2018 and there is no material change in the reported fair value.

Operations by Business Segment

Consolidated Results

Sales for the three months and year ended September 30, 2018 ("Q4-18") increased by 31.6% to $3,711,849 from $2,821,070 for the year ended September 30, 2017 ("Q4-17"). Gross profit percentage decreased to 29.2% of sales in Q4-18 from 44.7% in Q4-17. Operating expenses, including foreign exchange gains and losses and finance costs, increased to $2,159,790, or 58.2% of sales, in Q4-18 from $1,775,109, or 62.9% of sales, in Q4-17. The net loss amounted to $774,772, or net loss per share of $0.04, in Q4-18, as compared to net loss of $428,810, or net loss per share of $0.02, in Q4-17.

Sales for the year ended September 30, 2018 ("2018") decreased by 14.0% to $12,989,939 from $15,111,977 for the year ended September 30, 2017 ("2017"). Gross profit percentage decreased to 37.3% of sales in 2018 from 44.0% in 2017. Operating expenses, including foreign exchange gains and losses and finance costs, increased to $6,319,843 or 48.6% of sales in 2018 from $5,663,669 or 37.5% of sales in 2017. The net operating loss amounted to $1,108,017, or net loss per share of $0.05, in 2018, as compared to net income of $661,506, or diluted net income per share of $0.03, in 2017.

Manufacturing Operations

Sales generated by our Manufacturing operations increased by 32.6% to $3,465,723 in Q4-18 from $2,613,319 in Q4-17. This increase is primarily due to higher sales to our customers located in Europe and the Middle East, who accounted for sales of $1,360,311 (or 39.3% of total Manufacturing sales) in Q4-18 compared to $536,896, (or 20.5%) in Q4-17.

Sales generated by our Manufacturing operations decreased by 16.0% to $11,853,958 in 2018 from $14,114,338 in 2017. This decrease is due primarily to a decline in sales of $4,460,539 to former affiliated entities controlled by the FAS. Sales to customers in the Americas amounted to $6,248,986 (or 52.7% of total Manufacturing sales) in 2018 as compared to $7,658,971 (or 54.3%) in 2017, sales to customers located in Europe and the Middle East amounted to $3,520,435 (or 29.7%) in 2018 compared to $3,851,132 (or 27.3%) in 2017, and sales to customers located in the Asia-Pacific region amounted to $2,084,777 (or 17.6%) for 2018 compared to $2,604,235 (or 18.5%) for 2017.

We expected sales generated by our Manufacturing operations in Q4-18 to increase as compared to sales for the three months ended June 30, 2018 ("Q3-18"). Sales generated by our Manufacturing operations increased by 67.3% to $3,465,723 in Q4-18 from $2,071,310 in Q3-18. Based on our updated sales forecast, we are expecting sales generated by our Manufacturing operations for the three months ending December 31, 2018 ("Q1-19") to increase moderately as compared to Q4-18.

Gross profit percentage decreased to 28.1% of sales by our Manufacturing operations in Q4-18 from 45.5% in Q4-17 due primarily to manufacturing start-up costs by our operations in Europe. We expected our gross profit percentage to increase moderately in Q4-18 as compared to Q3-18. Gross profit percentage decreased to 28.1% of sales by our Manufacturing operations in Q4-18 from 34.0% in Q3-18 due primarily to cost overruns on new product sales. Based on our updated sales-mix forecast, we are expecting the gross profit percentage from our Manufacturing operations in Q1-19 to increase moderately as compared to Q4-18.

Gross profit percentage decreased to 36.7% of sales by our Manufacturing operations in 2018 from 44.2% in 2017 due primarily to sales-mix and additional manufacturing costs by our operations in Europe, which resulted in lower margins in 2018 as compare to 2017.

Our Manufacturing operations generated a net operating loss of $720,141 in Q4-18 compared to a net loss of $412,118 in Q4-17. We expected the net operating results from our Manufacturing operations to increase moderately in Q4-18 as compared to Q3-18. Our Manufacturing operations generated a net operating loss of $720,141 in Q4-18 compared to net loss of $376,174 in Q3-18 due primarily to lower gross profit and higher operating expenses in Q4-18 as compared to Q3-18 from cost overruns on new product sales. We are expecting the operating results of our Manufacturing operations to improve significantly in Q1-19 as compared to Q4-18 due primarily to higher anticipated sales and higher gross profit percentage.

Our Manufacturing operations generated a net loss of $917,384 in 2018 compared to net income of $675,484 in 2017. This decrease in net operating results is due primarily to the combined effect of lower sales and lower gross profit margins in 2018 as compared to 2017.

Family Entertainment Centre Operations

Sales generated by our FEC operations increased by 18.5% to $246,126 in Q4-18 from $207,751 in Q4-17 due primarily to an increase in customer visits for our FEC operations in Canada and to new franchise revenue generated by our operations in Italy, acquired in October 2017. Sales generated by our FEC operations in Canada amounted to $234,291 (or 95.2% of total FEC sales) in Q4-18 compared to $207,751 in Q4-17. We expected sales generated by our FEC operations to decrease moderately in Q4-18 as compared to Q3-18. Sales generated by our FEC operations increased by 5.8% to $246,126 in Q4-18 from $232,719 in Q3-18 due primarily to an increase in customer visits. Based on our updated sales forecast, we are expecting sales generated by our FEC operations to increase moderately in Q1-19 as compared to Q4-18, due primarily to seasonality.

Sales generated by our FEC operations increased by 13.9% to $1,135,981 for 2018 from $997,639 for 2017, due primarily to an increase in customer visits for our FEC operations in Canada and to new franchise revenue generated by our operations in Italy, acquired in October 2017.

Our FEC operations generated a net loss of $54,631 in Q4-18 compared to a net loss of $16,692 in Q4-17 due primarily to additional administrative expenses by our operations in Italy. We expected the net operating results from our FEC operations to decrease moderately in Q4-18 as compared to Q3-18. Our FEC operations generated a net loss of $54,631 in Q4-18 as compared to a net loss of $86,272 in Q3-18, due primarily to higher sales, lower cost of sales and lower selling and administrative expenses. Based on our updated forecasts, we are expecting the net operating results from our FEC operations to improve moderately in Q1-19 as compared to Q4-18, due primarily to higher anticipated sales.

Our FEC operations generated a net loss of $190,633 in 2018, compared to a net loss of $13,978 for 2017. The decrease in net operating results in 2018 as compared to 2017 is due primarily to higher selling and administrative expenses and additional costs incurred from the acquisition of our new franchising operations in Italy.

The net operating results from our FEC operations will continue to fluctuate from quarter to quarter based on seasonality factors, such as weather conditions and school holidays. Seasonality trends have developed in sales and net operating results, with Q2 historically generating the strongest operating results, due primarily to a higher number of customer visits during the winter months. Conversely, our Q4 operating results have historically been the weakest due to a lower number of customer visits during the summer months.

Results of Operations

The following tables set forth the operating results of our Manufacturing and our FEC business segments for the three months and year ended September 30, 2018 and 2017, expressed as a percentage of total sales:

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales to external customers	**93.4 %**	**6.6 %**	**100.0 %**	92.6 %	7.4 %	100.0 %
Cost of sales	**67.1**	**3.7**	**70.8**	50.5	4.8	55.3
Gross profit	**26.3**	**2.9**	**29.2**	42.1	2.6	44.7
Selling and administrative expenses	**53.3**	**4.6**	**57.9**	47.9	3.6	51.5
Foreign exchange loss	**(0.2)**	**-**	**(0.2)**	10.8	-	10.8
Finance income	**(0.6)**					
Finance costs	**1.1**	**-**	**1.1**	0.6	-	0.6
Income taxes	**(7.9)**	**(0.1)**	**(8.0)**	(2.6)	(0.5)	(3.1)
Net income (loss) from operations	**(19.4)**	**(1.6)**	**(21.0)**	(14.6)	(0.5)	(15.1)
Other comprehensive loss (income)	**-**	**-**	**-**	-	-	-
Total comprehensive income (loss)	**(19.4) %**	**(1.6) %**	**(21.0) %**	(14.6) %	(0.5) %	(15.1) %

	Year ended September 30, 2018			Year ended September 30, 2017		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales to external customers	**91.3 %**	**8.7 %**	**100.0 %**	93.4 %	6.6 %	100.0 %
Cost of sales	**57.8**	**4.9**	**62.7**	52.1	3.9	56.0
Gross profit	**33.5**	**3.8**	**37.3**	41.3	2.7	44.0
Selling and administrative expenses	**46.5**	**5.4**	**51.9**	30.0	2.9	32.9
Foreign exchange loss (gain)	**(1.4)**	**0.1**	**(1.3)**	3.6	-	3.6
Finance income	**(3.4)**	**-**	**(3.4)**			
Finance costs	**1.4**	**-**	**1.4**	1.0	-	1.0
Income taxes	**(2.7)**	**(0.2)**	**(2.9)**	2.3	(0.1)	2.2
Net income (loss) from operations	**(6.9)**	**(1.5)**	**(8.4)**	4.4	(0.1)	4.3
Other comprehensive loss	**0.1**	**-**	**0.1**	-	-	-
Total comprehensive income (loss)	**(7.0) %**	**(1.5) %**	**(8.5) %**	4.4 %	(0.1) %	4.3 %

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

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**14.1 %**	**6.3 %**	**20.4 %**	7.0 %	7.4 %	14.4 %
Americas	**40.5**	**-**	**40.5**	64.1	-	64.1
Other	**38.8**	**0.3**	**39.1**	21.5	-	21.5
	93.4 %	**6.6 %**	**100.0 %**	92.6 %	7.4 %	100.0 %

	Year ended September 30, 2018			Year ended September 30, 2017		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**9.3 %**	**8.2 %**	**17.5 %**	6.9 %	6.6 %	13.5 %
Americas	**38.8**	**-**	**38.8**	43.8	-	43.8
Other	**43.2**	**0.5**	**43.7**	42.7	-	42.7
	91.3 %	**8.7 %**	**100.0 %**	93.4 %	6.6 %	100.0 %

Results of Operations – Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Sales

Sales increased by $890,779 (or 31.6%) to $3,711,849 in Q4-18 from $2,821,070 in Q4-17 due primarily to an increase in sales of $852,404 by our Manufacturing operations.

We expected our sales to increase moderately in Q4-18 as compared to Q3-18. Sales increased by $1,407,820 (or 61.1%) to $3,711,849 in Q4-18 from $2,304,029 in Q3-18, due primarily to an increase in sales by our European operations. Based on our updated sales forecasts, we are expecting sales to increase moderately in Q1-19 as compared to Q4-18.

Gross Profit

Gross profit percentage decreased to 29.2% of sales in Q4-18 from 44.7% in Q4-17. This decrease is due primarily to our Manufacturing operations which generated a gross profit percentage of 28.1% in Q4-18 compared to 45.5% in Q4-17.

We expected our gross profit percentage to increase moderately in Q4-18 as compared to Q3-18. Gross profit percentage decreased to 29.2% in Q4-18 from 34.4% in Q3-18 due to cost overruns on new product sales. Based on our updated sales-mix forecast, we are expecting our gross profit percentage to increase moderately in Q1-19 as compared to Q4-18.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $384,681 (or 21.7%) to $2,159,790 in Q4-18, from $1,775,109 in Q4-17. This increase is due primarily to additional expenses from the acquisition and start-up of our new European operations.

We expected our operating expenses to decrease moderately, as a percentage of sales, in Q4-18 as compared to Q3-18. Our operating expenses decreased to 58.2% of sales in Q4-18 from 60.3% in Q3-18. Based on our updated forecasts, we are expecting operating expenses to decrease moderately, as a percentage of sales, in Q1-19 as compared to Q4-18.

Income Taxes

The income tax recoveries of $299,121 and $85,490 in Q4-18 and Q4-17, respectively, are due to the losses before income taxes incurred by our manufacturing operations.

Net Operating Results

The net loss amounted to $774,772, or net loss per share of $0.04, in Q4-18, compared to net loss of $428,810, or net loss per share of $0.02, in Q4-17. The decrease in net operating results is due primarily to lower sales and higher administrative expenses resulting from the acquisition and start-up of our European operations in Q4-18 as compared to Q4-17.

We expected our net operating results to improve moderately in Q4-18 as compared to Q3-18. We incurred a net loss of $774,772 in Q4-18 compared to net loss of $462,446 in Q3-18. We are expecting our results of operations to improve significantly in Q1-19 as compared to Q4-18 due primarily to higher anticipated sales and higher gross profit percentage.

Results of Operations –Year Ended September 30, 2018 Compared to Year Ended September 30, 2017

Sales

Sales decreased by $2,122,038 (or 14.0%) to $12,989,939 in 2018 from $15,111,977 in 2017 due primarily to a decrease in sales of $2,260,380 by our Manufacturing operations resulting from the decrease in sales to former affiliated entities, controlled by FAS.

We are expecting sales to increase in Q1-19 compared to Q4-18 due primarily to an anticipated increase in sales by our Manufacturing operations resulting from sales backlog at the end of Q4-18.

Gross Profit

Gross profit percentage decreased to 37.3% of sales in 2018 from 44.0% in 2017 due primarily to a decrease in gross profit percentage by our Manufacturing operations.

We expect our gross profit percentage in Q1-19 to increase moderately as compared to Q4-18.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $656,174 (or 11.6%) to $6,319,843 in 2018 from $5,663,669 in 2017. This increase is due primarily to higher administrative expenses from the acquisition and start-up of our European operations in 2018 as compared to 2017.

We expect the following for our 2019 financial year as compared to 2018:

- Moderate increase in selling and administrative expenses, due to increased headcount, rent, travel, trade show and related selling expenses primarily from new operations in Europe.
- Moderate increase in depreciation expense due to higher capital expenditures.
- Moderate increase in finance costs due to use of credit facilities by our European and Asian operations as manufacturing activities scale-up to meet demand.

Income Taxes

The income tax recovery of $369,825 in 2018 is due to the loss before income taxes from our Manufacturing and FEC operations, as compared to the income tax expense of $330,584 in 2017 due primarily to the income before income taxes from our Manufacturing operations. We expect our effective tax rate to decrease moderately in Q1-19 as compared to the effective tax rate of 25.0% in 2018 due primarily to anticipated taxable income generated in lower taxation jurisdictions.

Net Operating Results

Net loss and total comprehensive loss amounted to $1,108,017, or net loss per share of $0.05 in 2018 compared to net income and total comprehensive income of $661,506, or diluted net income per share of $0.03 in 2017. The decrease in net operating results is due primarily to lower sales and lower gross profit generated by our Manufacturing operations.

Based on our updated forecasts, we expect the net operating results by our Manufacturing and FEC operations to improve significantly in 2019 as compared to 2018 due to higher anticipated sales and gross profit margins.

Select Annual Information

The following table sets forth selected annual information derived from our consolidated financial statements for each of the last three years ended September 30:

	Sales	Total comprehensive income (loss)	Basic and diluted net income (loss) per share	Total assets	Long-term financial liabilities	Cash dividends
2016	$12,883,443	$ (695,249)	$ (0.03)	$17,941,830	---	---
2017	$15,111,977	$ 661,506	$ 0.03	$18,510,258	---	---
2018	$12,989,939	$ (1,108,017)	$ (0.05)	$11,668,373	---	---

We expected sales to increase significantly in 2018 as compared to 2017, gross profit margin in 2018 to remain in-line with 2017, operating expenses to increase moderately in 2018 as compared to 2017 and net operating results to increase moderately in 2018 as compared to 2017.

Sales decreased by $2,122,038 (or 14.0%) to $12,989,939 in 2018 from $15,111,977 in 2017 due primarily to the decrease in sales of $4,460,539 (or 89.6%) to former affiliated entities controlled by FAS. Our gross profit margin decreased to 37.3% of sales in 2018 from 44.0% in 2017 due to start-up costs by our European operations and cost overruns on new product sales. We incurred a net comprehensive loss of $1,108,017 in 2018 as compared to net comprehensive income of $661,506 in 2017, due primarily to lower sales, lower gross profit margins and higher selling and administrative expenses from the start-up of our European operations.

We are anticipating sales to increase significantly in 2019 as compared to 2018 due to primarily to anticipated increases in sales by our European and Asian operations. We expect our gross profit margin to increase moderately in 2019 as compared to 2018 as various start-up costs are not expected to recur. We expect our operating expenses to increase moderately in 2019 as compared to 2018 due primarily to increases in headcount and facility lease costs. We anticipate net operating results to improve significantly in 2019 as compared to 2018.

The increase in our total assets from 2016 to 2017 is due primarily to an increase in capital expenditures in 2017 compared to 2016. The decrease in our total assets from 2017 to 2018 is due primarily to cash used by financing activities, to extinguish operating loans, securitization debt and to repurchase shares using cash and settling receivables from FAS, the Corporation's former controlling shareholder.

We do not anticipate declaring dividends in 2019.

Quarterly Results of Operations

The following tables set forth 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 consolidated financial statements for the years ended September 30, 2018 and 2017. 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.

	Revised - See "Change in Functional and Presentation Currency"							
	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	**Q4-18**
CONSOLIDATED	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	**30-Sep-18**
Sales	$ 5,426,060	$ 2,770,622	$ 4,094,225	$ 2,821,070	$ 3,951,445	$ 3,022,616	$ 2,304,029	**$ 3,711,849**
Cost of sales	3,272,315	1,371,637	2,252,005	1,560,261	2,091,035	1,911,829	1,510,555	**2,627,155**
Gross profit	2,153,745	1,398,985	1,842,220	1,260,809	1,860,410	1,110,787	793,474	**1,084,694**
Selling and administrative expenses	1,082,976	1,250,062	1,179,712	1,452,999	1,512,387	1,634,663	1,445,423	**2,150,086**
Foreign exchange loss (gain)	21,662	10,425	210,624	304,594	(12,713)	(183,018)	29,263	**(8,970)**
Finance income	-	-	-	-	(105,019)	(153,098)	(154,422)	**(22,634)**
Finance costs	58,183	71,804	3,112	17,516	59,332	17,413	69,842	**41,308**
Income taxes	270,942	22,314	122,818	(85,490)	104,368	(32,319)	(142,753)	**(299,121)**
Net income (loss) from operations	719,982	44,380	325,954	(428,810)	302,055	(172,854)	(453,879)	**(775,975)**
Other comprehensive loss (income)	-	-	-	-	-	-	8,567	**(1,203)**
Total comprehensive income (loss)	$ 719,982	$ 44,380	$ 325,954	$ (428,810)	$ 302,055	$ (172,854)	$ (462,446)	**$ (774,772)**
Basic and diluted net income (loss) per share	$ 0.03	$ 0.00	$ 0.02	$ (0.02)	$ 0.01	$ 0.00	$ (0.02)	**$ (0.04)**

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	**Q4-18**
MANUFACTURING	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	**30-Sep-18**
Sales	$ 5,135,852	$ 2,454,429	$ 3,910,738	$ 2,613,319	$ 3,654,020	$ 2,662,905	$ 2,071,310	**$ 3,465,723**
Cost of sales	3,103,395	1,215,934	2,125,732	1,425,227	1,914,921	1,733,512	1,366,400	**2,490,858**
Gross profit	2,032,457	1,238,495	1,785,006	1,188,092	1,739,099	929,393	704,910	**974,865**
Selling and administrative expenses	969,091	1,144,595	1,063,739	1,350,818	1,352,463	1,438,714	1,266,853	**1,979,809**
Foreign exchange loss (gain)	21,662	10,425	210,624	304,594	(13,990)	(193,002)	29,561	**(8,572)**
Finance income	-	-	-	-	(105,019)	(153,098)	(154,422)	**(22,634)**
Finance costs	58,183	71,804	3,112	17,516	59,332	17,413	69,842	**41,308**
Income taxes	269,017	8,009	138,095	(72,718)	107,287	(20,539)	(139,890)	**(293,701)**
Net income (loss) from operations	714,504	3,662	369,436	(412,118)	339,026	(160,095)	(367,034)	**(721,345)**
Other comprehensive loss (income)	-	-	-	-	-	-	9,140	**(1,204)**
Total comprehensive income (loss)	$ 714,504	$ 3,662	$ 369,436	$ (412,118)	$ 339,026	$ (160,095)	$ (376,174)	**$ (720,141)**

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	**Q4-18**
FEC	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	**30-Sep-18**
Sales	$ 290,208	$ 316,193	$ 183,487	$ 207,751	$ 297,425	$ 359,711	$ 232,719	**$ 246,126**
Cost of sales	168,920	155,703	126,273	135,034	176,114	178,317	144,155	**136,297**
Gross profit	121,288	160,490	57,214	72,717	121,311	181,394	88,564	**109,829**
Selling and administrative expenses	113,885	105,467	115,973	102,181	159,924	195,949	178,570	**170,277**
Foreign exchange loss (gain)	-	-	-	-	1,277	9,984	(298)	**(398)**
Income taxes	1,925	14,305	(15,277)	(12,772)	(2,919)	(11,780)	(2,863)	**(5,420)**
Net income (loss) from operations	5,478	40,718	(43,482)	(16,692)	(36,971)	(12,759)	(86,845)	**(54,630)**
Other comprehensive loss (income)	-	-	-	-	-	-	(573)	**1**
Total comprehensive income (loss)	$ 5,478	$ 40,718	$ (43,482)	$ (16,692)	$ (36,971)	$ (12,759)	$ (86,272)	**$ (54,631)**

Our quarterly results fluctuate due primarily to the combined effect of significant variability in our sales, and operating expenses that are generally fixed. The impact of significant items incurred during these interim periods is discussed in more detail in our condensed consolidated interim financial statements and MD&A.

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

- The decrease in net operating results from Q1-17 to Q2-17 is due primarily to significantly lower sales in Q2-17 compared to Q1-17.
- The increase in net operating results from Q2-17 to Q3-17 is due primarily to higher sales in Q3-17 compared to Q2-17.
- The decrease in net operating results from Q3-17 to Q4-17 is due primarily to lower sales and higher selling and administrative expenses in Q4-17 compared to Q3-17.
- The increase in net operating results from Q4-17 to Q1-18 is due primarily to higher sales and the non-recurrence of unrealized foreign exchange loss in Q1-18 compared to Q4-17.
- The decrease in net operating results from Q1-18 to Q2-18 is due primarily to lower sales and higher selling and administrative expenses in Q2-18 compared to Q1-18.
- The decrease in net operating results from Q2-18 to Q3-18 is due primarily to lower sales in Q3-18 compared to Q2-18.
- The decrease in net operating results from Q3-18 to Q4-18 is due primarily to additional expenses from the acquisition and start-up of our new European operations.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities amounted to $2,865,378 in Q4-18, compared to cash provided by operating activities of $625,746 in Q4-17. The change is due primarily to the collection of finance receivables and the increase in customer deposits in Q4-18 as compared to Q4-17.

Cash provided by operating activities amounted to $5,372,870 in 2018, compared to $1,254,613 in 2017. This change is due primarily to the collection of trade receivables and finance receivables and the increase in customer deposits, partially offset by a decrease in net operating results, in 2018 as compared to 2017.

The decrease in trade and finance receivables is due primarily to payments received from former affiliated entities (See "Related Party Transactions"). We expect our operating activities to continue to use cash to support the growth in our sales.

Investing Activities

Cash used in investing activities increased to $237,604 in Q4-18 from $101,877 in Q4-17 due primarily to an increase in the purchase of equipment in Q4-18 as compared to Q4-17.

Cash used in investing activities increased to $823,890 in 2018 from $530,506 in 2017 due primarily to the acquisition of European operations.

We anticipate a significant increase in our capital expenditures in 2019 as compared to 2018 due to our new European operations.

Financing Activities

Cash used in financing activities amounted to $2,942,376 in Q4-18, compared to cash provided by financing activities of $39,865 in Q4-17 due primarily to repayments of securitization debt and cash used to repurchase shares in Q4-18.

Cash used in financing activities amounted to $5,286,310 in 2018, compared to $972,297 in 2017. This increase is due primarily to repayments of securitization debt and cash used to repurchase shares in 2018 as compared to 2017.

Our off-balance sheet financing is comprised of long-term operating lease arrangements for premises concluded in the normal course of business. The Corporation has no off-balance sheet special purpose entities.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, repaying our operating loans, and funding our capital expenditures. We expect our working capital requirements to continue to increase due primarily to the investments required to start-up our new operations in Europe and the anticipated growth in our sales.

Our sources of cash include cash on hand, trade receivables, customer deposits, cash from operations, and funding from our credit facilities (see "Credit Facilities"). We expect our sources of cash to be sufficient to fund our forecast cash outflows for at least the next twelve months.

Sources and Uses of Cash

The sources of funds for our future capital expenditures and commitments include cash on hand, cash from the collection of trade receivables, cash from operations, and borrowings (see "Credit Facilities") as follows:

- Cash of $2,798,928 at September 30, 2018 (September 30, 2017 – $3,599,119).
- Trade and other receivables of $2,906,832 at September 30, 2018 (September 30, 2017 – $5,886,475).

Our objective when managing capital is to maintain sufficient liquidity for normal operating and capital expenditures, while maintaining an adequate return for our shareholders.

The Corporation's capital is comprised of operating loans, securitization debt, and shareholders' equity.

The Corporation funds its working capital requirements with cash and an available Overdraft Facility of $600,000 Canadian dollars ($465,000 U.S. dollars), an Operating Loan Facility of $4,000,000, and a Securitization Facility of $7,920,000, which are subject to annual renewals (see "Credit Facilities").

We choose securitization as part of our capital strategy to reduce our credit risk when offering extended credit terms to certain customers with larger orders. The servicing of finance receivables remains the responsibility of the Corporation and the Bank retains the right of recourse against the Corporation if any finance receivable is not collected by the Bank on its due date. Any finance receivable not collected by the Bank on its due date is subject to payment upon demand to the Bank at the Bank's U.S. dollar annual prime rate plus 3.00% per annum payable monthly in arrears.

Our debt is subject to covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. At September 30, 2018, all financial ratios and tests have been met.

The Corporation manages its capital structure to maintain the flexibility to adjust to changes in economic conditions and to respond to interest rate, foreign exchange, credit, and other market risks. In management's opinion, the Corporation's capital and ongoing cash flows from operations are sufficient to fund its anticipated contractual obligations, future operations, and capital expenditures.

Credit Facilities

The Corporation has the following credit facilities (the "Credit Facilities") with financial institutions in Canada, Bulgaria, Italy and the Philippines:

(a) Overdraft Facilities

(i) Canada:

Demand revolving loan of up to $600,000 in Canadian dollars ($465,000 in U.S. dollars) bearing interest at the Canadian bank's prime rate plus 1.50% per annum and margined by trade receivables and certain equipment of the Corporation. At September 30, 2018 and 2017, no amounts were drawn under this facility.

(ii) Bulgaria:

In June 2018, the Corporation's subsidiary PMI obtained a demand revolving loan of up to €1,500,000 ($1,740,000 in U.S. dollars), maturing on June 30, 2019, bearing interest at the one-month EURIBOR plus 3.00% per annum, and secured by a standby letter of credit of issued by the Canadian bank (Note 9(d)). At September 30, 2018, no amounts were drawn under this facility.

(iii) Italy:

In June 2018, the Corporation's subsidiary PP obtained a demand revolving loan of up to €500,000 ($580,000 in U.S. dollars), maturing on January 31, 2019, bearing interest at an annual nominal rate of 1.05%, and secured by a standby letter of credit issued by the Canadian Bank (Note 9(d)). At September 30, 2018, no amounts were drawn under this facility.

(iv) Philippines:

In June 2018, the Corporation's subsidiary IREC obtained a demand revolving loan of up to $1,000,000, maturing on March 31, 2019, bearing interest at the Philippine bank's prevailing lending rate, and secured by a standby letter of credit issued by the Canadian bank (Note 9(d)). At September 30, 2018, $330,000 was drawn under this facility (Note 10).

(b) Export Loan Facility - Canada

The Export Loan Facility is comprised of a manufacturer's advance facility in the form of a demand revolving line of $4,000,000 ("Operating Loan Facility") and a trade invoice non-recourse financing facility in the form of a demand revolving line of $7,920,000 ("Securitization Facility").

<u>Operating Loan Facility</u>

Under the Operating Loan Facility, the Corporation may finance up to 60% of customer purchase orders approved by the Canadian bank. The Operating Loan Facility bears interest at the U.S. dollar London Interbank Offered Rate ("USD LIBOR") plus 4.00% per annum and is payable on demand or within 160 days of funding (Note 10).

<u>Securitization Facility</u>

Under the Securitization Facility, the Corporation may sell to the Canadian bank select insured trade receivables net of a discount fee of USD LIBOR plus 3.50% (Note 11).

(c) Foreign Exchange Loan Facility - Canada

The Foreign Exchange Loan Facility is a demand revolving line of $1,840,000 for the purchase of foreign exchange forward contracts and options up to an aggregate of $8,000,000 with a maximum maturity of 12 months (Note 22(b)(i)b)).

(d) Standby Letters of Credit - Canada

Standby Letters of Credit of €1,500,000 ($1,740,000 in U.S. dollars), €500,000 ($580,000 in U.S. dollars) and $1,000,000, expiring on July 31, 2019, March 31, 2019, and June 19, 2019, respectively, have been issued to secure the credit facilities of the Corporation's subsidiaries, PMI, PP and IREC. The Standby Letters of Credit bear fees of 1.50% per annum and are secured by export guarantees issued by Export Development Canada.

(e) Guarantee Line - Canada

The Guarantee Line of $2,900,000 provides for the issuance of bank guarantees in favour of beneficiaries approved by the Canadian bank. The Guarantee Line bears a fee of 1.50% per annum and is secured by export guarantees issued by Export Development Canada.

All amounts outstanding under the Guarantee Line are repayable by the Corporation upon demand by the Canadian Bank.

At September 30, 2018 and 2017, no amounts were drawn under the Guarantee Line.

The Credit Facilities are governed and secured by a general security agreement creating a first-priority security interest in all property of the Corporation. The conditions of credit include compliance with various covenants. At September 30, 2018, all financial ratios and tests have been met.

Market Risk Disclosure

Currency risk

We are exposed to currency fluctuations and exchange rate risk on all operations conducted in currencies other than the U.S. dollar, most notably from operations conducted in Canadian dollars and the Euro. 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 our sales are primarily denominated in U.S. dollars and we incur expenses in Canadian dollars, Bulgarian Leva, Euros, and Philippine Pesos (collectively the "Foreign Currencies"). We monitor our exposure to fluctuations between the U.S. dollar and the Foreign Currencies, and manage this risk by entering into foreign exchange forward contracts. We do not enter into foreign exchange forward contracts for speculative purposes.

As described above in "Credit Facilities", we have a demand revolving line of $1,840,000 to purchase foreign exchange forward contracts and options up to an aggregate of $8,000,000, with a maximum maturity of 12 months. We use this facility to manage our currency risk resulting from fluctuations in foreign exchange rates between primarily the U.S. dollar and the Canadian dollar. At September 30, 2018, we did not have any foreign exchange forward contract outstanding.

A sensitivity analysis has been performed assuming the foreign exchange rate changes by 5% at September 30, 2018 and 2017. For every 5% strengthening of U.S. dollar against the Foreign Currencies, with all other variables held constant, the net loss and total comprehensive loss for the year ended September 30, 2018 would increase by approximately $72,000 (September 30, 2017 – net loss and total comprehensive loss would increase by approximately $37,000). A weakening of the U.S. dollar against the Foreign Currencies would have the opposite effect. The increase in sensitivity to exchange rate changes between the U.S. dollar and the Foreign Currencies is due to an increase in the Corporation's net assets denominated in Euros and Bulgarian Leva from $74,126 and nil in U.S. dollars, respectively, at September 30, 2017, and to $559,844 and $215,603 in U.S. dollars, respectively, at September 30, 2018.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The carrying amounts of cash, trade and finance receivables recorded in the consolidated statements of financial position represent the Corporation's maximum exposure to credit risk.

The credit risk associated with the Corporation's cash is limited because this financial asset is held through large financial institutions with high investment grade ratings.

We perform ongoing credit evaluations of our customers and carry third party insurance on trade receivables from customers with larger orders.

At September 30, 2018, trade receivables of $1,778,163 from two customers, representing approximately 64% of the balance of trade receivables, are past due (September 30, 2017 - $1,588,047 was past due from two customers with trade receivables amounting to $3,525,893 and representing approximately 60% of the balance of trade receivables). We expect collection of the entire balance of trade receivables. Of the trade receivables past due by more than 90 days, $1,338,545 (or 63%) are insured by a third party. Should the customer default on payment, such insurance coverage would pay 90% of the outstanding balance, leaving an unrecoverable balance of 10%, or $133,855 at September 30, 2018.

Interest rate risk

Interest rate risk refers to the risk that the fair value of a financial instrument or the future cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Corporation's interest rate risk arises primarily from its operating loans and securitization debt, which are subject to variable interest rates. At September 30, 2018, the Corporation does not have outstanding securitization debts (September 30, 2017 - $4,135,383) and its operating loan of $330,000 (September 30, 2017 – nil) is subject to variable interest rate obligations as set periodically by the lending bank.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due.

We manage our liquidity risk by maintaining cash and available funds from our existing credit facilities, as outlined above in "Liquidity and Capital Resources".

Legal Proceedings

We are engaged in various legal actions in the ordinary course of business due primarily to injury claims from the use of equipment we have supplied to certain customers. We carry commercial general liability insurance 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

Pursuant to the Share Purchase Agreement described above, the Corporation acquired and cancelled 10,650,000 of its common shares from its ultimate parent company, Saudi FAS Holding Company ("FAS") on September 20, 2018 (the "Acquired Shares"). The Acquired Shares represented FAS' entire ownership position in the Corporation, therefore some of the entities controlled by FAS, which were also customers of the Corporation (the "Affiliates"), ceased to be affiliated with the Corporation on September 20, 2018.

The following sales were made to the Affiliates:

	Years ended September 30,	
	2018	2017
Sales	**$ 515,416**	$ 4,975,955

Our finance receivables include the following amounts due from the Affiliates:

	September 30,	
	2018	2017
Finance receivables	**$ -**	$ 4,594,870

Our trade and other receivables include the following amounts due from the Affiliates:

	September 30,	
	2018	2017
Trade receivables	**$ -**	$ 4,867,487

Outstanding Share Capital

At September 30, 2018, and December 4, 2018, the Corporation had 10,220,187 common shares issued and outstanding, and no warrants or share 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.

iPlayCO
CORPORATION LTD (TSX-V: IPC)