2014

Iplayco Corporation Ltd.

Consolidated Financial Statements

Years ended September 30, 2014 and 2013

(*Expressed in Canadian dollars*)

Iplayco Corporation Ltd.

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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 two of its three 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.

“Max Liszkowski”	“Franco Aquila”
Chief Financial Officer and Corporate Secretary	*Chief Executive Officer and Director*

Deloitte.

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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, 2014 and September 30, 2013, and the consolidated statements of operations and comprehensive income, statements of changes in shareholders' equity and 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, 2014 and September 30, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
November 27, 2014
Vancouver, British Columbia

Iplayco Corporation Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	September 30, 2014	2013
Assets			
Current assets			
Cash and cash equivalents		**$ 2,090,251**	$ 1,693,876
Finance receivables	*10*	**3,388,255**	3,866,749
Trade and other receivables	*20*	**2,674,568**	1,662,452
Inventories	*6*	**1,360,451**	1,069,658
Prepaid expenses and deposits		**677,099**	272,919
		10,190,624	8,565,654
Non-current assets			
Equipment	*7*	**1,569,173**	1,634,824
Deferred share issuance costs	*14*	**370,613**	-
Deferred income tax assets	*18*	**41,423**	28,283
Total Assets		**$ 12,171,833**	$ 10,228,761
Liabilities and Shareholders' Equity			
Current liabilities			
Operating loans	*9*	**$ 784,560**	$ -
Securitization debt	*10*	**3,049,429**	3,480,074
Current portion of subordinate debt	*11*	**188,237**	183,269
Trade payables, accrued charges and other	*13*	**2,016,897**	1,615,968
Income taxes payable	*18*	**356,328**	29,279
Customer deposits and deferred revenue	*10, 13*	**869,356**	495,786
Current portion of rent inducement	*17*	**-**	22,446
Current portion of finance lease liabilities		**-**	1,826
Revolving loans	*12*	**-**	310,000
		7,264,807	6,138,648
Non-current liabilities			
Subordinate debt	*11*	**353,549**	541,786
Rent inducement	*17*	**143,645**	137,779
Deferred income tax liabilities	*18*	**93,824**	101,054
Total Liabilities		**7,855,825**	6,919,267
Shareholders' Equity			
Share capital	*14*	**1,757,643**	1,757,643
Share-based payments reserve		**256,858**	256,858
Retained earnings		**2,301,507**	1,294,993
Total Shareholders' Equity		**4,316,008**	3,309,494
Total Liabilities and Shareholders' Equity		**$ 12,171,833**	$ 10,228,761

Commitments (Note 17)

Subsequent events (Note 22)

"Franco Aquila"
Chief Executive Officer

"Muhanad Awad"
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

(Expressed in Canadian dollars, except number of shares)

	Notes	2014	2013
		Years ended September 30,	
Sales		**$ 16,537,972**	$ 15,211,993
Cost of sales	*16*	**10,178,977**	9,519,213
Gross profit		**6,358,995**	5,692,780
Selling and administrative expenses	*16*	**4,799,043**	3,861,210
Foreign exchange gain		**(39,225)**	(27,348)
		4,759,818	3,833,862
Operating income		**1,599,177**	1,858,918
Finance costs		**226,252**	212,889
Income before income taxes		**1,372,925**	1,646,029
Income tax provision			
Current	*18*	**386,781**	29,279
Deferred	*18*	**(20,370)**	387,507
		366,411	416,786
Net income and total comprehensive income		**1,006,514**	1,229,243
Net income per share			
Basic and diluted		**$ 0.10**	$ 0.12
Weighted average number of common shares outstanding			
Basic and diluted		**10,220,187**	10,220,187

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

Iplayco Corporation Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars, except number of common shares)

	Share capital[1]				
	Number of common shares	Amount	Share-based payments reserve[2]	Retained earnings	Total shareholders' equity
Balance at September 30, 2012	10,220,187	$ 1,757,643	$ 256,858	$ 65,750	$ 2,080,251
Net income and total comprehensive income	-	-	-	1,229,243	1,229,243
Balance at September 30, 2013	10,220,187	1,757,643	256,858	1,294,993	3,309,494
Net income and total comprehensive income	-	-	-	1,006,514	1,006,514
Balance at September 30, 2014	**10,220,187**	**1,757,643**	**256,858**	**2,301,507**	**4,316,008**

[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 share-based payments reserve is comprised of the grant date fair value of share options that have expired unexercised.

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

Iplayco Corporation Ltd.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	2014	2013
		Years ended September 30,	
Operating activities			
Net income		**$ 1,006,514**	$ 1,229,243
Items not affecting cash			
Depreciation	7	**295,803**	292,577
Deferred income taxes	18	**(20,370)**	387,507
Rent inducement		**(16,580)**	(44,280)
Loss on disposal of equipment	7	**-**	23,380
Unrealized foreign exchange loss (gain)		**(94,050)**	12,862
Finance costs		**226,252**	212,889
		1,397,569	2,114,178
Change in non-cash operating working capital			
Finance receivables	10	**577,988**	(3,895,232)
Trade and other receivables	20	**(938,907)**	(796,055)
Inventories	6	**(239,810)**	(342,163)
Prepaid expenses		**(404,180)**	(95,799)
Trade payables, accrued charges and other	13	**386,660**	228,850
Current income tax expense	18	**386,781**	29,279
Customer deposits and deferred revenue	10, 13	**373,570**	74,569
		142,102	(4,796,551)
Interest paid		**(196,252)**	(209,067)
Income taxes paid	18	**(59,732)**	-
Cash provided by (used in) operating activities		**1,283,687**	(2,891,440)
Investing activities			
Decrease in restricted cash		**-**	300,000
Purchase of equipment	7	**(281,135)**	(322,874)
Cash used in investing activities		**(281,135)**	(22,874)
Financing activities			
Proceeds from operating loans	9	**1,971,790**	1,479,553
Proceeds from securitization debt	10	**1,754,664**	2,018,239
Proceeds from subordinate debt	11	**-**	758,297
Repayment of securitization debt	10	**(3,480,074)**	-
Repayment of subordinate debt	11	**(199,000)**	(41,250)
Repayment of revolving loans	12	**(310,000)**	(100,000)
Repayment of notes payable		**-**	(300,000)
Repayment of finance lease liabilities		**(1,826)**	(58,826)
Increase in share issuance costs	14	**(370,613)**	-
Cash provided by (used in) financing activities		**(635,059)**	3,756,013
Net increase in cash and cash equivalents		**367,493**	841,699
Effect of foreign exchange rate changes on cash and cash equivalents		**28,882**	11,169
Cash and cash equivalents at beginning of the year		**1,693,876**	841,008
Cash and cash equivalents at end of the year		**$ 2,090,251**	$ 1,693,876
Cash and cash equivalents comprised of:			
Cash		**$ 1,890,251**	$ 1,558,876
Cash equivalents		**200,000**	135,000
Supplemental cash flow disclosures - non cash transactions			
Purchase of equipment	7	**$ -**	$ 27,962
Amortization of financing costs - subordinate debt	11	**15,731**	8,008
Settlement of operating loans with proceeds from securitization debt	9	**1,205,220**	1,479,553

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

1. Nature of business and corporate information

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

The Corporation's business is carried out through its wholly owned subsidiaries, International Play Company Inc. ("IPC") and Outdoor Play Company Inc. ("OPC"). IPC operates in the manufacturing business segment of the Corporation, and designs, manufactures and installs play structures for children, from its plant in Langley, British Columbia, Canada. OPC operates in the family entertainment centre business segment of the Corporation, and owns and operates a family entertainment centre in Langley, British Columbia, Canada.

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.

2. Basis of preparation and adoption of International Financial Reporting Standards

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 November 27, 2014.

Basis of measurement

These Consolidated Financial Statements have been prepared on a going-concern basis, under the historical cost convention, except for certain financial assets and financial liabilities recorded at fair value through profit or loss.

Functional and presentation currency

The functional and presentation currency of the Corporation and its subsidiaries is the Canadian dollar.

3. Significant accounting policies

Basis of consolidation

These Consolidated Financial Statements include the accounts of the Corporation and its wholly-owned subsidiaries, IPC and OPC. 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.

3. Significant accounting policies (continued)

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 profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

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 profit or loss.

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.

<u>Financial assets at fair value through profit or loss</u>:

Financial assets are classified at fair value through profit or 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 profit or loss are measured at fair value, with changes to their fair value recognized through profit or loss.

The Corporation enters periodically into foreign exchange forward contracts to limit its exposure to foreign currency rate fluctuations. These derivative contracts are initially recorded at fair value and are recorded as either assets or liabilities based on their fair value. Subsequent to initial recognition, these derivatives are measured at fair value and changes to their value are recognized through profit or loss as foreign exchange gains or losses. The Corporation does not designate these financial instruments as hedges.

<u>Loans and receivables</u>:

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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value, with changes to their fair value, other than impairment losses and foreign currency differences, recognized in other comprehensive income. When an available-for-sale financial asset is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Determination of fair value:

The fair value of financial assets at fair value through profit or 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, subordinate debt, trade payables and accrued charges, income taxes payable, and revolving loans. 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.

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 principle, 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. Costs of materials are determined on an average per unit basis. 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. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring the site on which they are located.

3. Significant accounting policies (continued)

Equipment and depreciation (continued)

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 within other income in profit or loss.

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 profit or 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 profit or 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 profit or 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, and the sale of concession goods 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.

(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.

3. Significant accounting policies (continued)

Finance costs

Finance costs are comprised of interest expense on loans, finance leases, unwinding of the discount on provisions, decreases in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets.

Income taxes

Income taxes are comprised of current and deferred income taxes. Income tax is recognized in profit or 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 asset and 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 profit or 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.

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.

3. Significant accounting policies (continued)

Employee future benefits (continued)

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 profit or 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 profit or loss with a corresponding adjustment to equity.

The Corporation issues share options under its share-based compensation plans as described in Note 15. 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 Chief Executive Officer. The Corporation’s 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 of the primary and secondary factors with respect to functional currency for each subsidiary and noted that the majority of operating expenditures were either denominated in Canadian dollars or determined by the Canadian dollar and that revenues are primarily denominated in U.S. dollars. The Corporation also considers secondary factors such as receipt of proceeds from financing activities denominated in Canadian dollars from the issuance of common shares, and receipts from operating activities denominated in U.S. dollars that are usually converted and retained in Canadian dollars. The Corporation has concluded that the Canadian dollar is the currency that mainly influences the cost of providing goods and services by the Corporation and its subsidiaries.

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

(i) Issued and adopted

The Corporation adopted the following new standards and interpretations issued by the IASB and effective for annual periods beginning on or after January 1, 2013, except for *IFRS 7, Financial Instruments: Disclosures ("IFRS 7")*, which was effective for annual periods beginning on or after July 1, 2013. The adoption of these new standards and interpretations did not have an impact on the Consolidated Financial Statements of the Corporation:

Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements* ("IFRS 10") replaced guidance on consolidation in IAS 27, *Consolidated and Separate Financial Statements,* and SIC 12, *Consolidation – Special Purpose Entities*. The portion of IAS 27 that deals with separate financial statements has remained. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. IFRS 10 requires continuous assessment of control of an investee in line with any changes in facts and circumstances.

5. New accounting pronouncements (continued)

(i) Issued and adopted (continued)

Joint Arrangements

IFRS 11, *Joint Arrangements* ("IFRS 11") replaced IAS 31 *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control. The focus is not solely on the legal structure of joint arrangements, but rather on how the rights and obligations are shared by the parties to the joint arrangement. IFRS 11 eliminates the existing policy choice of proportionate consolidation for jointly controlled entities. In addition, the standard categorizes joint arrangements as either joint operations or joint ventures.

Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12") is the new standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Matters covered include information about the significant judgments and assumptions that any entity has made in determining whether it has control, joint control or significant influence over another entity.

Separate Financial Statements

IAS 27, *Separate Financial Statements* ("IAS 27") has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9, *Financial Instruments.* The amended IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent currently within the scope of the current IAS 27, *Consolidated and Separate Financial Statements* that is replaced by IFRS 10.

Investments in Associates and Joint Ventures

IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28") has been revised and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of IAS 28, *Investments in Associates* does not include joint ventures.

Fair Value Measurement

IFRS 13, *Fair Value Measurement* ("IFRS 13") was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

Financial Instruments: Disclosures

IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), an amendment to IFRS 7, was issued to enhance disclosures about offsetting of financial assets and financial liabilities.

5. New accounting pronouncements (continued)

(ii) Issued and not yet adopted

The following applicable pronouncements issued by the IASB are effective for the Corporation's accounting periods after September 30, 2014. The Corporation is currently assessing the impact of these new standard on its Consolidated Financial Statements:

Financial Instruments: Presentation

In December 2011, the IASB issued *IAS 32, Financial Instruments: Presentation ("IAS 32")* to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The standard is effective for annual periods beginning on or after July 1, 2014, with early adoption is permitted.

Revenues recognition

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") which supersedes current revenue recognition guidance, including IAS 18 – *Revenue*, IAS 11 – *Construction Contracts*, and related interpretations. IFRS 15 establishes a single five-step model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9") to replace 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, with early adoption permitted.

(Expressed in Canadian dollars)

6. Inventories

	September 30, 2014		September 30, 2013
Raw materials	$	**1,294,922**	$	938,511
Work in progress		**20,173**		119,259
Finished goods		**45,356**		11,888
Total inventory	$	**1,360,451**	$	1,069,658

At September 30, 2014, raw materials include inventories measured at net realizable value of $64,893 (September 30, 2013 - $65,687).

Inventories included in cost of sales for the year ended September 30, 2014 amount to $6,415,152 (September 30, 2013 - $5,864,320).

The following table reflects the movement in allowance for inventory obsolescence:

		September 30, 2014		September 30, 2013
Balance at beginning of year	$	**65,335**	$	43,309
Write-offs		**(11,004)**		(8,833)
Increase in allowance		**20,057**		30,859
Balance at end of year	$	**74,388**	$	65,335

(Expressed in Canadian dollars)

7. Equipment

	Automotive	Computer Equipment	Furniture and Fixtures	Machinery and Equipment	Moulds	Leasehold Improvements	Total
Carrying amount at September 30, 2012	$ 10,990	$ 122,552	$ 56,983	$ 792,938	$ 33,151	$ 583,331	$ 1,599,945
Additions	-	109,258	2,412	120,580	-	118,586	350,836
Disposals	-	(23,380)	-	-	-	-	(23,380)
Depreciation	(2,833)	(43,524)	(10,702)	(155,949)	(8,686)	(70,883)	(292,577)
Carrying amount at September 30, 2013	$ 8,157	$ 164,906	$ 48,693	$ 757,569	$ 24,465	$ 631,034	$ 1,634,824
Balance at September 30, 2013 comprised of:							
Cost	$ 33,138	$ 251,133	$ 114,800	$ 1,776,052	$ 131,636	$ 949,144	$ 3,255,903
Accumulated depreciation	(24,981)	(86,227)	(66,107)	(1,018,483)	(107,171)	(318,110)	(1,621,079)
Carrying amount	$ 8,157	$ 164,906	$ 48,693	$ 757,569	$ 24,465	$ 631,034	$ 1,634,824
Carrying amount at September 30, 2013	**$ 8,157**	**$ 164,906**	**$ 48,693**	**$ 757,569**	**$ 24,465**	**$ 631,034**	**$ 1,634,824**
Additions	**-**	**48,789**	**44,634**	**172,030**	**12,882**	**2,800**	**281,135**
Transfer to inventory	**-**	**-**	**-**	**(50,983)**	**-**	**-**	**(50,983)**
Depreciation	**(2,100)**	**(50,604)**	**(13,248)**	**(143,485)**	**(7,207)**	**(79,159)**	**(295,803)**
Carrying amount at September 30, 2014	**$ 6,057**	**$ 163,091**	**$ 80,079**	**$ 735,131**	**$ 30,140**	**$ 554,675**	**$ 1,569,173**
Balance at September 30, 2014 comprised of:							
Cost	**$ 33,138**	**$ 299,922**	**$ 159,434**	**$ 1,785,236**	**$ 144,518**	**$ 951,944**	**$ 3,374,192**
Accumulated depreciation	**(27,081)**	**(136,831)**	**(79,355)**	**(1,050,105)**	**(114,378)**	**(397,269)**	**(1,805,019)**
Carrying amount	**$ 6,057**	**$ 163,091**	**$ 80,079**	**$ 735,131**	**$ 30,140**	**$ 554,675**	**$ 1,569,173**

8. Credit facilities

The Corporation has the following credit facilities, as amended on April 2, 2014, (the "Credit Facilities") with a large Canadian financial institution (the "Bank"):

(a) *Overdraft Facility*

The Overdraft Facility is a demand revolving loan of up to $600,000 bearing interest at the bank's prime rate plus 1.50% per annum and margined by trade receivables and certain equipment of the Corporation.

(b) *Export Loan Facility*

The Export Loan Facility is comprised of a manufacturer's advance facility in the form of a demand revolving line of U.S. $1,500,000 ($1,681,000 in Canadian dollars) ("Operating Loan Facility") and a trade invoice non-recourse financing facility in the form of a demand revolving line of U.S. $4,320,000 ($4,842,000 in Canadian dollars) ("Securitization Facility").

Operating Loan Facility

Under the Operating Loan Facility, the Corporation may finance up to 60% of customer purchase orders approved by the 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 90 days of funding.

Securitization Facility

Under the Securitization Facility, the Corporation may sell to the Bank select insured trade receivables net of a discount fee of USD LIBOR plus 3.50%.

(c) *Foreign Exchange Loan Facility*

The Foreign Exchange Loan Facility is a demand revolving line of $1,200,000 for the purchase of foreign exchange forward contracts and options up to an aggregate of $6,666,666, with a maximum maturity of 12 months.

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.

9. Operating loans

For the years ended September 30, 2014 and 2013, the Corporation obtained the following proceeds in U.S. dollars from operating loans and made the following repayments in U.S. dollars using proceeds from the sale of select trade receivables, under its Securitization Facility, to extinguish its operating loans:

	Carrying Amounts	
	U.S. dollars	**Canadian dollars**
Balance at September 30, 2012	-	**-**
Proceeds from operating loans	1,439,250	**1,479,553**
Repayment using proceeds from securitization debt	(1,439,250)	**(1,485,297)**
Net realized foreign exchange loss on repayment	-	**5,744**
Balance at September 30, 2013	-	**-**
Proceeds from operating loans	1,803,880	**1,971,790**
Repayment using proceeds from securitization debt	(1,103,880)	**(1,192,743)**
Net realized foreign exchange gain on repayment	-	**(12,477)**
Unrealized foreign exchange loss on balance due	-	**17,990**
Balance at September 30, 2014	700,000	**784,560**

The balance at September 30, 2014 is comprised of one operating loan maturing on November 24, 2014.

10. Finance receivables and securitization debt

The carrying amounts of finance receivables are comprised of U.S. dollar denominated trade receivables described below, which have been sold to a large Canadian financial institution (the "Bank"), net of holdbacks of 10%, representing the portion of the proceeds retained by the Bank to reduce their exposure to potential credit losses. The finance receivables are due to the Bank on or before the dates indicated below at which time the securitization debt is extinguished and the holdbacks are remitted to the Corporation:

	September 30, 2014	
	U.S. dollars	**Canadian dollars**
Finance receivables by due dates:		
December 20, 2014	1,039,800	**1,165,408**
March 11, 2015	1,983,268	**2,222,847**
	3,023,068	**3,388,255**
Less: Holdbacks	(302,307)	**(338,825)**
Securitization debt	2,720,761	**3,049,429**

(Expressed in Canadian dollars)

10. Finance receivables and securitization debt (continued)

	September 30, 2013	
	U.S. dollars	Canadian dollars
Finance receivables by due dates:		
October 19, 2013	1,310,600	1,347,952
December 18, 2013	1,259,000	1,294,882
February 5, 2014	1,190,000	1,223,915
	3,759,600	3,866,749
Less: Holdbacks	(375,960)	(386,675)
Securitization debt	3,383,640	3,480,074

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 holdbacks represent the Corporation's maximum exposure to impaired finance receivables.

The balance of finance receivables at September 30, 2013 has been increased by $331,012 with a corresponding increase to customer deposits and deferred revenue to correct an immaterial error in order to present the carrying amount of finance receivables at the gross amount sold to the Bank. The balance previously reported corresponded to the carrying amount of the finance receivables recorded on a percentage of completion basis of accounting.

11. Subordinate debt

On May 1, 2013, the Corporation obtained from BDC Capital Inc. ("BDCC") subordinate debt financing of $758,297, net of issuance costs of $41,703 ("Subordinate Debt"). The Subordinate Debt bears interest at BDCC's floating base rate (currently at 5.00%) plus 7.00% per annum. In addition, BDCC receives four annual royalty payments of 2.00% of the Corporation's consolidated earnings before interest (finance costs), income taxes and depreciation expenses ("EBITDA") to a maximum of $1,000,000, plus 1.00% of EBITDA over $1,000,000. The Subordinate Debt matures on April 15, 2017 and the principal is payable in 47 monthly instalments of $8,250 (the "Monthly Instalments") and one instalment of $412,250. In addition to the scheduled Monthly Instalments, the principal is payable by way of four annual payments, commencing on January 15, 2014, to a maximum of $100,000 per annum (the "Excess Cash Flow Sweep"). The Subordinate Debt is secured by a general security agreement creating a first rank security interest in all intellectual property of the Corporation and subordinated in rank to any other security granted on all other property of the Corporation. The conditions of credit include compliance with various covenants.

11. Subordinate debt (continued)

Principal payments, assuming the maximum annual Excess Cash Flow Sweep of $100,000, are as follows:

						September 30, 2014
		Principal payments		Amortization of debt issuance costs		**Amortization of carrying amount**
Due within 1 year	$	199,000	$	10,763	**$**	**188,237**
1 to 3 years		360,750		7,201		**353,549**
	$	559,750	$	17,964	**$**	**541,786**

						September 30, 2013
		Principal payments		Amortization of debt issuance costs		Amortization of carrying amount
Due within 1 year	$	199,000	$	15,731	$	183,269
1 to 3 years		398,000		16,673		381,327
4 to 5 years		161,750		1,291		160,459
	$	758,750	$	33,695	$	725,055

As described in Note 22, on November 24, 2014, the Corporation extinguished its Subordinate Debt for $734,036, including interest and fees.

12. Related party transactions

On April 3, 2014, the Corporation extinguished its revolving loans, in the aggregate principal amount of $310,000, with the Corporation's Chief Executive Officer, President, Chief Financial Officer, and one of its former directors. The revolving loans were unsecured and bore interest at a rate of 15.0% per annum.

The Corporation purchased the following amounts of raw material inventories in U.S. dollars from an entity controlled by a party related to the President of the Corporation (the "Related Entity"):

	Years ended September 30,			
		2014		2013
Purchases in U.S. dollars	**$**	**633,049**	$	169,718
Equivalent in Canadian dollars		**687,737**		175,574

12. Related party transactions (continued)

The Corporation's trade payables and accrued charges include the following amounts denominated in U.S. dollars that are payable to the Related Entity for the purchase of raw material inventories:

	September 30,	
	2014	2013
Balance in U.S. dollars	**$ 42,520**	$ 39,808
Equivalent in Canadian dollars	**47,656**	41,152

The Corporation's prepaid expenses and deposits include the following amounts denominated in U.S. dollars on deposit with the Related Entity for the purchase of raw material inventories:

	September 30,	
	2014	2013
Balance in U.S. dollars	**$ 159,774**	$ -
Equivalent in Canadian dollars	**173,713**	-

13. Trade payables, accrued charges and other

	September 30,	
	2014	2013
Trade payables	**$ 889,064**	$ 847,348
Accrued charges	**1,120,042**	762,310
Warranty provision	**7,791**	6,310
	$ 2,016,897	$ 1,615,968

The balance of accrued charges at September 30, 2013 has been increased by $83,447 with a corresponding decrease to customer deposits and deferred revenue to conform to the financial statement presentation adopted in the current year.

14. Share capital

On June 25, 2014, the Corporation entered into an investment agreement (the "Investment Agreement"), with Saudi FAS Holding Company and its wholly-owned British Columbia subsidiary, FAS Entertainment B.C. Ltd., (collectively "FAS") pursuant to which FAS has agreed to invest $8,839,500 into the Corporation (the "Private Placement"). Proceeds from the Private Placement will be used by the Corporation for working capital and general corporate purposes.

14. Share capital (continued)

Pursuant to the Investment Agreement:

- FAS will purchase 10,650,000 units of the Corporation (the "Units") at a purchase price of $0.83 per Unit for gross proceeds to the Corporation of $8,839,500;
- Each Unit will consist of one common share of the Corporation (a "Common Shares") and one tenth of a share purchase warrant, with each whole warrant (a "Warrant") being exercisable until October 1, 2016 to acquire one additional Common Share at a price of $0.85 per Common Share;
- FAS will be granted a pre-emptive right to participate on a pro rata basis in any future financings of the Corporation to maintain its percentage interest in the Common Shares post-closing of the Private Placement;
- FAS will be granted anti-dilution rights restricting, so long as FAS holds at least 50% of the outstanding Common Shares, the number of stock options the Corporation may grant without the prior written approval of FAS; and
- For so long as FAS and its affiliates continue to own at least 50% of the outstanding Common Shares, FAS will have the right to nominate 50% of the Corporation's Board and, should FAS and its affiliates own less than 50% but more than 20% of the outstanding Common Shares, FAS will have the right to nominate two individuals to the Corporation's Board.
- Closing of the Private Placement is subject to certain closing conditions standard for a transaction of this nature, including, without limitation, the following: (i) approval of the Private Placement by the shareholders of the Corporation; and (ii) receipt of all required regulatory approvals.

Upon closing of the Private Placement, FAS will own 10,650,000 Common Shares and 1,065,000 Warrants, representing approximately 51% of the Common Shares outstanding on completion of the Private Placement, or approximately 53% on a fully diluted basis, assuming full exercise of the Warrants.

During the year ended September 30, 2014, the Corporation incurred share issuance costs of $370,613 (September 30, 2013 – nil) which have been deferred and will be allocated to common shares and share purchase warrants upon closing of the Private Placement.

On August 15, 2014, shareholders of the Corporation voted to approve the Private Placement, and as described in Note 22, on October 27, 2014, the Corporation received regulatory approval for the Private Placement, pursuant to which, on November 19, 2014, the Corporation received gross proceeds of $8,839,500 from the issuance of 10,650,000 of its common shares to FAS.

15. 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.

(Expressed in Canadian dollars)

15. Share options (continued)

The maximum number of share options available to be granted under the Option Plan as at September 30, 2014 and 2013 is 1,022,018.

There are no share options outstanding at September 30, 2014 and 2013.

16. Cost of sales and selling and administrative expenses

	Years ended September 30,	
	2014	2013
Cost of materials	**$ 5,436,465**	$ 4,979,416
Shipping, installation and other	**2,510,534**	2,426,456
Short-term employee benefits	**2,103,402**	1,985,479
Post-employment benefits	**17,332**	15,020
Depreciation	**111,244**	112,842
Total cost of sales	**$ 10,178,977**	$ 9,519,213

	Years ended September 30,	
	2014	2013
Short-term employee benefits	**$ 2,477,398**	$ 1,633,668
Post-employment benefits	**48,346**	46,160
Marketing, advertising and related expenditures	**413,320**	586,803
Travel and related expenditures	**254,216**	176,947
Rent, utilities, telecom and occupancy costs	**846,854**	772,248
Professional fees and insurance costs	**460,436**	385,734
Depreciation and loss on disposal of equipment	**184,559**	203,115
Bank charges and bad debts	**113,914**	56,535
Total selling and administrative expenses	**$ 4,799,043**	$ 3,861,210

Selling and administrative expenses include the following compensation paid to key management personnel comprised of the Corporation's Chief Executive Officer, President, and Chief Financial Officer:

	Years ended September 30,	
	2014	2013
Short-term employee benefits	**$ 1,122,261**	$ 693,072
Post-employment benefits	**26,000**	26,000
	$ 1,148,261	$ 719,072

(Expressed in Canadian dollars)

17. Commitments

The Corporation leases premises and certain equipment under long-term operating lease agreements that expire at various dates up to 2020. At September 30, 2014, the future minimum lease payments, including estimated occupancy costs, are as follows:

		September 30, 2014
Due within 1 year	$	**719,944**
Between 1 year and 5 years		**2,991,753**
More than 5 years		**648,473**
	$	**4,360,170**

For the year ended September 30, 2014, selling and administrative expenses include operating lease costs of $602,976 (September 30, 2013 - $598,734).

At September 30, 2014 and 2013, rent inducements consist of rent abatement periods and escalating rent from various operating leases for office and warehouse space.

18. 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,			
		2014		2013
Net deferred income tax assets (liabilities) at beginning of the year	**$**	**(72,771)**	$	314,736
Deferred income tax provision		**20,370**		(387,507)
Net deferred income tax liabilities at end of the year	**$**	**(52,401)**	$	(72,771)
Component of deferred income tax assets:				
Timing differences on expenses	**$**	**63,210**	$	44,411
Component of deferred income tax liabilities:				
Equipment		**(115,611)**		(117,182)
Net deferred income tax liabilities at end of the year	**$**	**(52,401)**	$	(72,771)
Aggregation by taxable entity:				
Deferred income tax assets	**$**	**41,423**	$	28,283
Deferred income tax liabilities		**(93,824)**		(101,054)
	$	**(52,401)**	$	(72,771)

(Expressed in Canadian dollars)

18. Income taxes

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, 2014 and 2013, the Corporation has capital losses carried forward for income tax purposes of $51,750 for which no benefit was recognized. Future benefits, if any, will be restricted to one half of enacted rates and will be recognized when realized.

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,	
	2014	2013
Income before income taxes	**$ 1,372,925**	$ 1,646,029
Combined Canadian and provincial statutory income tax rate	**26.00%**	25.00%
Expected income tax expense	**$ 356,961**	$ 411,507
Effect of changes in income tax rates	**2,096**	(940)
Non-deductible expenses and other	**7,354**	6,219
Income tax provision	**$ 366,411**	$ 416,786
Effective income tax rate	**26.69%**	25.32%
Allocation of income tax provision:		
Current	**$ 386,781**	$ 29,279
Deferred	**(20,370)**	387,507
	$ 366,411	$ 416,786

19. Capital management

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

	September 30,	
	2014	2013
Operating loans	**$ 784,560**	$ -
Securitization debt	**3,049,429**	3,480,074
Subordinate debt	**541,786**	725,055
Shareholders' equity	**4,316,008**	3,309,494
	$ 8,691,783	$ 7,514,623

19. Capital management (continued)

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 augments these capital sources with credit facilities described in Note 8, which include an overdraft facility of $600,000, an operating loan facility of U.S. $1,500,000 ($1,681,000 in Canadian dollars), and a securitization facility of U.S. $4,320,000 ($4,842,000 in Canadian dollars). The Corporation intends to continue to extinguish its operating loans with proceeds from securitization debt.

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 10% holdback represents the Corporation's maximum exposure to impaired finance receivables.

The secured overdraft, operating loan and securitization facilities are subject to annual renewals. The subordinate debt matures on April 15, 2017. The Corporation intends to extinguish its subordinate debt with proceeds from the Private Placement described in Note 14.

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, 2014, 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.

20. 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:

		Carrying Amounts	
Class of Financial Instruments	**Categories in Consolidated Statements of Financial Position**	**September 30, 2014**	September 30, 2013
Loans and receivables financial assets measured at amortized cost	Cash and cash equivalents, finance receivables, and trade and other receivables	**7,947,985**	7,223,077
Financial liabilities measured at amortized cost	Operating loans, securitization debt, subordinate debt, trade payables and accrued charges and revolving loans	**6,384,881**	6,124,787

20. Financial instruments and risk management (continued)

(a) Classification of financial instruments and fair value (continued)

The carrying values of cash and cash equivalents, finance receivables, trade and other receivables, and trade payables and accrued charges approximate their respective fair values due to their short-term maturities. The operating loans, securitization debt and subordinate 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, 2014 and 2013, all of the Corporation's financial assets and liabilities were measured at amortized cost.

(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.

(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, securitization debt and its subordinate 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.

20. Financial instruments and risk management (continued)

(b) Risks and risk management (continued)

A sensitivity analysis has been performed assuming the Corporation's borrowing interest rates change by 2%, or 200 basis points, at September 30, 2014 and 2013. For every increase of 2% to the Corporation's borrowing interest rate, with all other variables held constant, net income and total comprehensive income for the year ended September 30, 2014 would decrease by approximately $34,000 (2013 – $33,000). A decrease in interest rates would have the opposite effect.

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 has sales denominated in U.S. dollars which exceed the natural hedge provided by the purchase of products denominated in U.S. dollars, and therefore exposes the Corporation to financial risk resulting from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation manages this risk by entering into foreign exchange forward contracts.

During the year ended September 30, 2014, the Corporation recorded a net foreign exchange loss of $71,684 on its foreign exchange forward contracts (September 30, 2013 – $6,434). There were no foreign exchange forward contracts outstanding at September 30, 2014 and 2013.

A sensitivity analysis has been performed assuming the foreign exchange rate changes by 5% at September 30, 2014 and 2013. For every 5% strengthening of the U.S. dollar against the Canadian dollar, with all other variables held constant, net income and total comprehensive income for the year ended September 30, 2014 would increase by approximately $74,000 (September 30, 2013 – $120,000). A weakening of the U.S. dollar against the Canadian dollar would have the opposite effect.

The decrease in sensitivity to foreign exchange rate changes between the U.S. dollar and the Canadian dollar is due to a decrease in the Corporation's net assets denominated in U.S. dollars, resulting primarily from a higher debt balance in U.S. dollars at September 30, 2014 as compared to September 30, 2013.

(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 Canadian financial institutions with high investment grade ratings.

The Corporation performs ongoing credit evaluations of its customers, and carries third party insurance that limits its exposure to approximately 10% of the bad debt amount from impaired finance and trade receivables.

(Expressed in Canadian dollars)

20. Financial instruments and risk management (continued)

(ii) Credit risk (continued)

Trade receivables with three customers represent approximately 74% of the balance of trade receivables as at September 30, 2014 (September 30, 2013 – three customers representing approximately 75%). It is the opinion of management that these accounts do not represent a significant credit risk.

The following table provides the aging of trade receivables:

	September 30, 2014	September 30, 2013
Trade receivables		
Current	**$ 862,768**	$ 911,336
31 to 60 days	**362,569**	83,153
61 to 90 days	**10,153**	91,456
91 days +	**435,469**	672,902
	1,670,959	1,758,847
Unbilled receivables (progress billing in excess of work performed) from sales arrangments recognized on a percentage of completion basis of accounting	**991,761**	(133,980)
Other receivables	**67,363**	37,585
Allowance for doubtful accounts	**(55,515)**	-
	$ 2,674,568	$ 1,662,452

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

	September 30, 2014	September 30, 2013
Balance at beginning of the year	**$ -**	$ -
Write-offs	**-**	(599)
Increase in allowance	**55,515**	599
Balance at end of the year	**$ 55,515**	$ -

(Expressed in Canadian dollars)

20. Financial instruments 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 19.

The following table provides a summary of the Corporation's contractual obligations at September 30, 2014:

		Payments due by period			
	Total	Within 1 year	1-3 years	4-5 years	After 5 years
Operating loans, including interest	**$ 793,416**	$ 793,416	$ -	$ -	$ -
Securitization debt, including interest	**42,603**	42,603	-	-	-
Subordinate debt, including interest	**749,743**	287,993	461,750	-	-
Trade payables, accrued charges and other	**2,016,897**	2,016,897	-	-	-
Operating leases	**4,360,170**	719,944	2,259,038	1,305,332	75,856
	$ 7,962,829	$ 3,860,853	$ 2,720,788	$ 1,305,332	$ 75,856

(Expressed in Canadian dollars)

21. Segment reporting and concentration of sales

(a) Business segments

The Corporation operates in two business segments: (i) Manufacturing of play structures for children; and (ii) Operating a Family Entertainment Centre.

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, 2014		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 15,314,171	$ 1,223,801	$ 16,537,972
Cost of sales	9,462,158	716,819	10,178,977
Gross profit	5,852,013	506,982	6,358,995
Selling and administrative expenses	4,215,418	583,625	4,799,043
Foreign exchange gain	(39,225)	-	(39,225)
Finance costs	226,236	16	226,252
Income taxes	382,295	(15,884)	366,411
Net income (loss)	$ 1,067,289	$ (60,775)	$ 1,006,514
Total assets	$ 11,037,668	$ 1,134,165	$ 12,171,833
Total liabilities	$ 7,673,629	$ 182,196	$ 7,855,825
Depreciation expense	$ 157,912	$ 137,891	$ 295,803
Purchase of equipment	$ 164,651	$ 116,484	$ 281,135

(Expressed in Canadian dollars)

21. Segment reporting and concentration of sales (continued)

(a) Business segments (continued)

	Year ended September 30, 2013		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 13,784,403	$ 1,427,590	$ 15,211,993
Cost of sales	8,641,095	878,118	9,519,213
Gross profit	5,143,308	549,472	5,692,780
Selling and administrative expenses	3,253,015	608,195	3,861,210
Foreign exchange gain	(27,348)	-	(27,348)
Finance costs	210,917	1,972	212,889
Income taxes	431,960	(15,174)	416,786
Net income (loss)	$ 1,274,764	$ (45,521)	$ 1,229,243
Total assets	$ 9,140,578	$ 1,088,183	$ 10,228,761
Total liabilities	$ 6,729,442	$ 189,825	$ 6,919,267
Depreciation expense	$ 145,575	$ 147,002	$ 292,577
Purchase of equipment	$ 251,343	$ 99,493	$ 350,836

(b) Geographic and customer information

Substantially all of the Corporation's assets are located in Canada.

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

	Years ended September 30,	
	2014	2013
Sales		
Canada	**$ 1,996,070**	$ 2,308,819
Americas	**4,353,013**	6,060,844
Other	**10,188,889**	6,842,330
	$ 16,537,972	$ 15,211,993

(Expressed in Canadian dollars)

21. Segment reporting and concentration of sales (continued)

(b) Geographic and customer information (continued)

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

	Years ended September 30,	
	2014	2013
Customer A	**$ 4,581,629**	$ 5,032,488
Customer B	**1,695,996**	-

22. Subsequent events

On October 27, 2014, the Corporation received regulatory approval for the Private Placement described in Note 14, pursuant to which, on November 19, 2014, the Corporation received gross proceeds of $8,839,500 from the issuance of 10,650,000 of its common shares to FAS.

On November 24, 2014, the Corporation extinguished its Subordinate Debt described in Note 11 for $734,036, including interest and fees.

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 November 27, 2014 and should be read together in conjunction with our annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2014 and 2013.

The results reported herein are presented in Canadian 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

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

Non-brokered Private Placement

On June 25, 2014, the Corporation entered into an investment agreement (the "Investment Agreement"), with Saudi FAS Holding Company and its wholly-owned British Columbia subsidiary, FAS Entertainment B.C. Ltd., (collectively "FAS") pursuant to which FAS has agreed to invest $8,839,500 into the Corporation (the "Private Placement"). Proceeds from the Private Placement will be used by the Corporation for working capital and general corporate purposes.

FAS is a private company incorporated pursuant to the laws of the Kingdom of Saudi Arabia. All of the outstanding securities of FAS are held beneficially by three individuals. FAS and its subsidiaries (the "Group") are one of the leading groups of companies in the Kingdom of Saudi Arabia focusing on the retail and real estate business sectors. The Group started in 1989 as a partnership between three brothers as a retail apparel store operator. Today the Group has diversified from fashion retail business into other sectors. The diversification has further extended to cover non-retail business sectors such as real-estate, construction, financial services, health care and hospitality.
Additional information about FAS can be found on its website at www.fawazalhokair.com.

FAS and Arabian Centres Company Limited ("ACCL"), Iplayco's largest customer over the past three years, are affiliates of Fawaz Abdulaziz Al Hokair & Co. ("Al Hokair"), a retail conglomerate listed on the Saudi stock exchange with a market capitalization at September 30, 2014 of 26.4 billion Saudi Riyal ($7.9 billion in Canadian dollars).

ACCL is the largest builder, owner and operator of shopping malls operating in Saudi Arabia. ACCL operates 13 shopping malls on over 1.2 million square meters of prime retail real estate. Additional information about ACCL can be found on its website at www.arabiancentres.com.

Al Hokair is a leading fashion retail trading company with retail operations in the Middle East, North Africa, Central Asia, Caucasus Region and the United States. Al Hokair has franchise agreements with international fashion retailers including Inditex Group, Gap Inc., Arcadia Group, Marks & Spencer and Mango. Alhokair represents over 80 international retail brands through over 1,700 stores. The brand portfolio of Al Hokair covers all of the major sectors of the apparel market, including womenswear, menswear, childrenswear, footwear and accessories and beauty and home ware products. Additional information about Al Hokair can be found on its website at www.fawazalhokairfashion.com.

Through its affiliates, FAS is planning to expand its chain of Billy Beez® family entertainment centres to hundreds of locations worldwide and build a globally recognizable brand. FAS is investing in Iplayco to secure supply of play structures for its Billy Beez® expansion. In addition to supplying FAS' affiliates, Iplayco will continue to service and grow its other customer base.

Pursuant to the Investment Agreement:

- FAS will purchase 10,650,000 units of the Corporation (the "Units") at a purchase price of $0.83 per Unit for gross proceeds to the Corporation of $8,839,500;
- Each Unit will consist of one common share of the Corporation (a "Common Shares") and one tenth of a share purchase warrant, with each whole warrant (a "Warrant") being exercisable until October 1, 2016 to acquire one additional Common Share at a price of $0.85 per Common Share;
- FAS will be granted a pre-emptive right to participate on a pro rata basis in any future financings of the Corporation to maintain its percentage interest in the Common Shares post-closing of the Private Placement;
- FAS will be granted anti-dilution rights restricting, so long as FAS holds at least 50% of the outstanding Common Shares, the number of stock options the Corporation may grant without the prior written approval of FAS; and
- For so long as FAS and its affiliates continue to own at least 50% of the outstanding Common Shares, FAS will have the right to nominate 50% of the Corporation's Board and, should FAS and its affiliates own less than 50% but more than 20% of the outstanding Common Shares, FAS will have the right to nominate two individuals to the Corporation's Board.
- Closing of the Private Placement is subject to certain closing conditions standard for a transaction of this nature, including, without limitation, the following: (i) approval of the Private Placement by the shareholders of the Corporation; and (ii) receipt of all required regulatory approvals.

Upon closing of the Private Placement, FAS will own 10,650,000 Common Shares and 1,065,000 Warrants, representing approximately 51% of the Common Shares outstanding on completion of the Private Placement, or approximately 53% on a fully diluted basis, assuming full exercise of the Warrants.

On August 15, 2014, the shareholders of the Corporation voted to approve the Private Placement and on October 27, 2014, the Corporation received regulatory approval for the Private Placement, pursuant to which, on November 19, 2014, the Corporation received gross proceeds of $8,839,500 from the issuance of 10,650,000 of its common shares to FAS. Share issue costs are expected to amount to approximately $450,000.

Consolidated Results

Sales for the three months ended September 30, 2014 ("Q4-14") increased by 55.6% to $5,777,206 from $3,711,714 for the three months ended September 30, 2013 ("Q4-13"). Gross profit percentage increased to 35.0% of sales in Q4-14 from 33.6% in Q4-13. Operating expenses, including foreign exchange gains and losses and finance costs, increased to $1,346,066, or 23.3% of sales, in Q4-14 from $1,120,930, or 30.2% of sales, in Q4-13. Net income increased to $499,032, or diluted net income per share of $0.05, in Q4-14 from $93,682, or diluted net income per share of $0.01, in Q4-13.

Sales for the year ended September 30, 2014 ("2014") increased by 8.7% to $16,537,972 from $15,211,993 for the year ended September 30, 2013 ("2013"). Gross profit percentage increased to 38.5% of sales in 2014 from 37.4% in 2013. Operating expenses, including foreign exchange gains and losses and finance costs, increased to $4,986,070, or 30.1% of sales, in 2014 from $4,046,751, or 26.6% of sales, in 2013. Net income decreased to $1,006,514, or diluted net income per share of $0.10, in 2014 from $1,229,243, or diluted net income per share of $0.12, in 2013.

Manufacturing Operations

The time required to manufacture, deliver, and install playgrounds is largely dependent on the size and complexity of the play structures ordered by our customers. Factors such as customer location, capital expenditure budgets, and theme requirements, may cause project completion timelines to vary from several weeks to several months. Our products are sold and installed worldwide. Our customer base includes family entertainment centres, theme parks, shopping malls, daycare centres, fitness clubs, municipalities and not-for-profit organizations.

Sales generated by our Manufacturing operations increased by 61.3% to $5,555,143 in Q4-14 from $3,444,070 in Q4-13. This increase is due to higher sales to our customers located in the Americas, including Canada, who accounted for sales of $2,321,387 (or 41.8% of total Manufacturing sales) in Q4-14 compared to $1,493,985 (or 43.4%) in Q4-13, offset by lower sales to our customers located outside of the Americas, who accounted for sales of $3,233,756 (or 58.2% of total Manufacturing sales) in Q4-14 compared to $1,950,085 (or 56.6%) in Q4-13.

Sales generated by our Manufacturing operations increased by 11.1% to $15,314,171 in 2014 from $13,784,403 in 2013. This increase is due primarily to higher sales to our customers located outside of the Americas, including Canada, who accounted for sales of $10,188,889 (or 66.5% of total Manufacturing sales) in 2014 compared to $6,842,330 (or 49.6%) in 2013, partially offset by lower sales to our customers located in the Americas, including Canada, who accounted for sales of $5,125,282 (or 33.5% of total Manufacturing sales) in 2014 compared to $6,942,073 (or 50.4%) in 2013.

In Q4-14, three significant customers accounted for 59.6% of sales by our Manufacturing operations as compared to two significant customers accounting for 55.6% of sales by our Manufacturing operations in Q4-13. In 2014, two significant customers accounted for 41.0% of total sales by our Manufacturing operations as compared to one significant customer accounting for 36.5% of total sales by our Manufacturing operations in 2013. Should these significant customers end their relationship with us, reduce or postpone current or expected purchase orders or suffer from business failure, our sales and profitability would decline materially. We expect continued business concentration from affiliates of FAS during our financial year ending September 30, 2015 ("2015"). To manage the credit risk from our customers, we perform ongoing credit evaluations of our customers and we carry third party insurance that limits our exposure to approximately 10% of the bad debt amount from finance receivables and insured trade receivables.

We expected sales generated by our Manufacturing operations in Q4-14 to increase significantly as compared to sales for the three months ended June 30, 2014 ("Q3-14"). Sales generated by our Manufacturing operations increased by 32.6% to $5,555,143 in Q4-14 from $4,188,700 in Q3-14. Based on our updated sales forecast, we are expecting sales generated by our Manufacturing operations for the three months ending December 31, 2014 ("Q1-15") to decrease significantly as compared to Q4-14.

Gross profit percentage increased to 35.0% of sales by our Manufacturing operations in Q4-14 from 33.7% in Q4-13 due primarily to sales-mix. We expected our gross profit percentage in Q4-14 to remain in-line with Q3-14. Gross profit percentage decreased to 35.0% of sales by our Manufacturing operations in Q4-14 from 37.8% in Q3-14 due primarily to sales-mix. Based on our updated sales-mix forecast, we are expecting the gross profit percentage from our Manufacturing operations in Q1-15 to remain in-line with Q4-14.

Gross profit percentage increased to 38.2% of sales by our Manufacturing operations in 2014 from 37.3% in 2013 due primarily to various reductions in manufacturing and processing costs in 2014 as compared to 2013.

Our Manufacturing operations generated net income of $550,861 in Q4-14 compared to net income of $138,803 in Q4-13. This increase is due primarily to significantly higher sales in Q4-14 as compared to Q4-13. We expected the net operating results from our Manufacturing operations to increase significantly in Q4-14 as compared to Q3-14. Our Manufacturing operations generated net income of $550,861 in Q4-14 compared to net income of $354,840 in Q3-14. Based on our updated forecasts, we are expecting the net operating results from our Manufacturing operations to decrease significantly in Q1-15 as compared to Q4-14.

Our Manufacturing operations generated net income of $1,067,289 in 2014 compared to net income of $1,274,764 in 2013. This decrease is due primarily to significantly higher selling and administrative expenses in 2014 as compared 2013, partially offset by higher sales in 2014 as compared to 2013.

Family Entertainment Centre Operations

Sales generated by our FEC operations decreased by 17.0% to $222,063 in Q4-14 from $267,644 in Q4-13. We expected sales generated by our FEC operations to decrease moderately in Q4-14 as compared to Q3-14 due primarily to seasonality. Sales generated by our FEC operations decreased by 15.0% to $222,063 in Q4-14 from $261,142 in Q3-14. Based on our updated sales forecast, we are expecting sales generated by our FEC operations to increase moderately in Q1-15 as compared to Q4-14 due primarily to seasonality.

Sales generated by our FEC operations decreased by 14.3% to $1,223,801 in 2014 from $1,427,590 in 2013 due primarily to a decrease in the number of customer visits to our FEC.

Our FEC operations generated a net loss of $51,829 in Q4-14 compared to a net loss of $45,121 in Q4-13. We expected the net operating results from our FEC operations to decrease moderately in Q4-14 as compared to Q3-14 due primarily to seasonality. Our FEC operations generated a net loss of $51,829 in Q4-14 as compared to a net loss of $30,670 in Q3-14. Based on our updated forecasts, we are expecting the net operating results from our FEC operations to increase moderately in Q1-15 as compared to Q4-14 due primarily to higher anticipated sales resulting from seasonality.

Our FEC operations generated a net loss of $60,775 in 2014, compared to a net loss of $45,521 in 2013. The increase in net loss in 2014 as compared to 2013 is due primarily to lower sales from fewer customer visits in 2014 as compared to 2013.

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 years ended September 30, 2014 and 2013, expressed as a percentage of total sales:

	Three months ended September 30, 2014						Three months ended September 30, 2013					
	MFG		FEC		Total		MFG		FEC		Total	
Sales to external customers	96.2	%	3.8	%	100.0	%	92.8	%	7.2	%	100.0	%
Cost of sales	62.6		2.4		65.0		61.5		4.9		66.4	
Gross profit	33.6		1.4		35.0		31.3		2.3		33.6	
Selling and administrative expenses	20.4		2.6		23.0		22.8		4.0		26.8	
Foreign exchange loss (gain)	(0.8)		-		(0.8)		1.5		-		1.5	
Finance costs	1.1		-		1.1		2.0		-		2.0	
Income taxes	3.4		(0.3)		3.1		1.3		(0.4)		0.9	
Net income (loss)	9.5	%	(0.9)	%	8.6	%	3.7	%	(1.3)	%	2.4	%

	Year ended September 30, 2014						Year ended September 30, 2013					
	MFG		FEC		Total		MFG		FEC		Total	
Sales to external customers	92.6	%	7.4	%	100.0	%	90.6	%	9.4	%	100.0	%
Cost of sales	57.2		4.3		61.5		56.8		5.8		62.6	
Gross profit	35.4		3.1		38.5		33.8		3.6		37.4	
Selling and administrative expenses	25.5		3.5		29.0		21.4		4.0		25.4	
Foreign exchange loss (gain)	(0.2)		-		(0.2)		(0.2)		-		(0.2)	
Finance costs	1.4		-		1.4		1.4		-		1.4	
Income taxes	2.3		(0.1)		2.2		2.8		(0.1)		2.7	
Net income (loss)	6.4	%	(0.3)	%	6.1	%	8.4	%	(0.3)	%	8.1	%

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

	Three months ended September 30, 2014						Three months ended September 30, 2013					
	MFG		FEC		Total		MFG		FEC		Total	
Sales												
Canada	9.3	%	3.8	%	13.1	%	1.4	%	7.2	%	8.6	%
Americas	30.9		-		30.9		38.9		-		38.9	
Other	56.0		-		56.0		52.5		-		52.5	
	96.2	%	3.8	%	100.0	%	92.8	%	7.2	%	100.0	%

	Year ended September 30, 2014						Year ended September 30, 2013					
	MFG		FEC		Total		MFG		FEC		Total	
Sales												
Canada	4.7	%	7.4	%	12.1	%	5.8	%	9.4	%	15.2	%
Americas	26.3		-		26.3		39.8		-		39.8	
Other	61.6		-		61.6		45.0		-		45.0	
	92.6	%	7.4	%	100.0	%	90.6	%	9.4	%	100.0	%

Results of Operations – Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Sales

Sales increased by $2,065,492 (or 55.6%) to $5,777,206 in Q4-14 from $3,711,714 in Q4-13 due primarily to an increase in sales of $2,111,073 by our Manufacturing operations.

In Q4-14, three significant customers accounted for 57.3% of our sales. In Q4-13, two significant customers accounted for 51.6% of our sales. We expect continued business concentration from one significant customer in Q1-15.

We expected our sales to increase significantly in Q4-14 as compared to Q3-14. Sales increased by $1,327,364 (or 29.8%) to $5,777,206 in Q4-14 from $4,449,842 in Q3-14. Based on our updated sales forecasts, we are expecting sales to decrease significantly in Q1-15 as compared to Q4-14 due primarily to an anticipated decrease in sales by our Manufacturing operations.

Gross Profit

Gross profit percentage increased to 35.0% of sales in Q4-14 from 33.6% in Q4-13. This increase is due primarily to our Manufacturing operations which generated a gross profit percentage of 35.0% in Q4-14 compared to 33.7% in Q4-13 due primarily to sales-mix that resulted in higher margins in Q4-14 as compared to Q4-13.

We expected our gross profit percentage in Q4-14 to remain in-line with Q3-14. Gross profit percentage decreased to 35.0% in Q4-14 compared to 37.9% in Q3-14 due primarily to sales-mix that resulted in lower margins in Q4-14 as compared to Q3-14. Based on our updated sales-mix forecast, we are expecting our gross profit percentage in Q1-15 to remain in-line with Q4-14.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $225,136 (or 20.1%) to $1,346,066 in Q4-14, from $1,120,930 in Q4-13. This increase is due primarily to higher selling and administrative expenses from increased headcount and higher wages and benefits in Q4-14 as compared to Q4-13.

We expected our operating expenses in Q4-14 to remain in-line, as a percentage of sales, with Q3-14. Our operating expenses decreased to 23.3% of sales in Q4-14 from 28.0% in Q3-14 due primarily to higher sales by our Manufacturing operations in Q4-14 as compared to Q3-14. Based on our updated forecasts, we are expecting operating expenses in Q1-15 to increase, as a percentage of sales, compared to Q4-14.

Income Taxes

The income tax expense of $178,636 in Q4-14 is due primarily to a current income tax expense on earnings before income taxes generated by our Manufacturing operations. The income tax expense of $33,701 in Q4-13 is due primarily to a current income tax expense on earnings before income taxes generated by our Manufacturing operations. We expect our effective tax rate in Q1-15 to remain in-line with our effective tax rate of 26.4% in Q4-14.

Net Operating Results

Net income and total comprehensive income increased to $499,032, or diluted net income per share of $0.05, in Q4-14 from $93,682, or diluted net income per share of $0.01, in Q4-13. The increase in net operating results is due primarily to the increase in net income by our Manufacturing operations.

We expected our net operating results to increase significantly in Q4-14 as compared to Q3-14. We generated net income of $499,032 in Q4-14 compared to net income of $324,170 in Q3-14. Based on our updated forecasts, we are expecting net income to decrease significantly in Q1-15 as compared to Q4-14, due primarily to anticipated lower earnings by our Manufacturing operations.

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	Net income	Basic and diluted income per share	Total assets	Long-term financial liabilities	Cash dividends
2012	$10,389,445	$312,812	$ 0.03	$4,839,967	$1,826	---
2013	$15,211,993	$1,229,243	$ 0.12	$10,228,761	$541,786	---
2014	$16,537,972	$1,006,514	$ 0.10	$12,171,833	$353,549	---

We expected sales and net income in 2014 to be in-line with 2013. Sales increased by $1,325,979 (or 8.7%) to $16,537,972 in 2014 from $15,211,993 in 2013 due primarily to an increase in large sales orders in 2014 as compared to 2013. Net income decreased by $222,729 (or 18.1%) to $1,006,514 in 2014 from $1,229,243 in 2013 due primarily to higher selling and administrative expenses in 2014 as compared to 2013. The contract-based nature of our operations reduces the predictability of our sales and net earnings. As of the date of this report, we are anticipating sales and net income in 2015 to increase moderately as compared to 2014, due primarily to an increase in anticipated orders from affiliates of FAS. Orders from affiliates of FAS will be completed in the normal course of business at arms-length prices and terms. We also expect our net income per share to decrease significantly in 2015 as compared to 2014 due to dilution from the issuance of 10,650,000 common shares to FAS.

The increase in our total assets from 2012 to 2014 is due primarily to an increase in our working capital, leveraged by an increase in operating loans, securitization debt and subordinated debt. Our working capital and borrowings have increased in order to support growth in our sales.

The increase in long-term financial liabilities from 2012 to 2013 is due to proceeds from the subordinate debt in 2013. The decrease in long-term financial liabilities from 2013 to 2014 is due to repayments on the subordinate debt in 2014 (see "Sources and Uses of Cash").

We do not anticipate declaring dividends in 2015.

Results of Operations – Year Ended September 30, 2014 Compared to Year Ended September 30, 2013

Sales

Sales increased by $1,325,979 (or 8.7%) to $16,537,972 in 2014 from $15,211,993 in 2013 due primarily to an increase in sales of $1,529,768 by our Manufacturing operations.

In 2014, two significant customers accounted for 38.0% of our sales, one of which is an affiliate of FAS. In 2013, one significant customer accounted for 33.1% of our sales. We expect continued business concentration from an affiliate of FAS in 2015.

We are expecting moderate growth in sales in 2015 as compared to 2014 due primarily to an anticipated increase in sales by our Manufacturing operations.

Gross Profit

Gross profit percentage increased to 38.5% of sales in 2014 from 37.4% in 2013. This increase is due primarily to a higher gross profit percentage by our Manufacturing operations which generated a gross profit percentage of 38.2% in 2014 compared to 37.3% in 2013.

We expect our gross profit percentage in 2015 to remain in-line with 2014 due primarily to anticipated margins by our Manufacturing operations.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $939,319 (or 23.2%) to $4,986,070 in 2014 from $4,046,751 in 2013. This increase is due primarily to higher selling and administrative expenses by our Manufacturing operations from increased headcount and increased wages and benefits.

Actual results versus expected results for 2014 as compared to 2013 are as follows:

- We expected selling and administrative expenses, excluding depreciation, in 2014 to remain in-line with 2013. Actual selling and administrative expenses, excluding depreciation, increased by $936,093 (or 24.9%) in 2014 as compared to 2013 due primarily to higher wages and benefits.
- We expected a moderate increase in depreciation expense. Actual depreciation expense increased by $3,226 (or 1.1%) in 2014 as compared to 2013.
- We expected the net effect of foreign exchange in 2014 to remain in-line with 2013. We generated a net foreign exchange gain of $39,225 in 2014 compared to $27,348 in 2013.
- We expected a significant increase in net finance costs due to higher levels of debt from operating loans, securitization debt, and subordinate debt. Actual net finance costs increased by $13,363 (or 6.3%) in 2014 as compared to 2013.

We expect the following in 2015 as compared to 2014:

- Moderate increase in selling and administrative expenses, excluding depreciation, due to increased headcount, higher wages and benefits, and higher selling and marketing expenses.
- Moderate increase in depreciation expense due to capital expenditures.
- Increase in the net effect of foreign exchange due to anticipated higher net assets denominated in U.S. dollars.
- Decrease in finance costs due to anticipated extinguishment of the subordinate debt in 2015 (see "Sources and Uses of Cash").

Income Taxes

The income tax expense of $366,411 in 2014 is due primarily to a current income tax expense on earnings before income taxes generated by our Manufacturing operations. The income tax expense of $416,786 in 2013 is due primarily to a deferred income tax expense on earnings before income taxes generated by our Manufacturing operations. We expect our effective tax rate in 2015 to remain in-line with our effective tax rate of 26.7% in 2014.

Net Operating Results

Net income and total comprehensive income decreased to $1,006,514, or diluted net income per share of $0.10, in 2014 from $1,229,243, or diluted net income per share of $0.12, in 2013. The decrease in net operating results is due primarily to lower net income by our Manufacturing operations.

Based on our updated forecasts, we expect a moderate increase in net income in 2015 as compared to 2014, and a significant decrease in diluted net income per share in 2015 as compared to 2014 due to dilution from the issuance of 10,650,000 common shares to FAS.

Quarterly Results of Operations

The following tables set forth unaudited consolidated statements of operations data, and unaudited statements of operations data for the Manufacturing and FEC business segments, for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the consolidated financial statements for the years ended September 30, 2014 and 2013. 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.

	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	**Q4-14**
CONSOLIDATED	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	**30-Sep-14**
Sales	$ 3,495,495	$ 3,223,754	$ 4,781,030	$ 3,711,714	$ 2,940,536	$ 3,370,388	$ 4,449,842	**$ 5,777,206**
Cost of sales	2,146,708	2,065,693	2,843,411	2,463,401	1,821,670	1,838,933	2,764,902	**3,753,472**
Gross profit	1,348,787	1,158,061	1,937,619	1,248,313	1,118,866	1,531,455	1,684,940	**2,023,734**
Selling and administrative expenses	903,831	895,726	1,068,066	993,587	1,074,355	1,272,585	1,119,544	**1,332,559**
Foreign exchange loss (gain)	11,067	(21,461)	(71,466)	54,512	(73,207)	1,280	79,930	**(47,228)**
Finance costs	30,769	25,835	83,454	72,831	78,210	41,641	45,666	**60,735**
Income taxes	102,894	65,255	214,936	33,701	15,296	56,849	115,630	**178,636**
Net income	$ 300,226	$ 192,706	$ 642,629	$ 93,682	$ 24,212	$ 159,100	$ 324,170	**$ 499,032**
Basic and diluted net income per share	$ 0.03	$ 0.02	$ 0.06	$ 0.01	$ -	$ 0.02	$ 0.03	**$ 0.05**

	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	**Q4-14**
MANUFACTURING	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	**30-Sep-14**
Sales	$ 3,113,886	$ 2,777,034	$ 4,449,413	$ 3,444,070	$ 2,605,694	$ 2,964,634	$ 4,188,700	**$ 5,555,143**
Cost of sales	1,893,020	1,829,101	2,635,152	2,283,822	1,605,699	1,637,609	2,605,953	**3,612,897**
Gross profit	1,220,866	947,933	1,814,261	1,160,248	999,995	1,327,025	1,582,747	**1,942,246**
Selling and administrative expenses	720,529	751,112	935,861	845,513	932,151	1,126,327	975,906	**1,181,034**
Foreign exchange loss (gain)	11,067	(21,461)	(71,466)	54,512	(73,207)	1,280	79,930	**(47,228)**
Finance costs	29,790	25,307	83,141	72,679	78,194	41,641	45,666	**60,735**
Income taxes	116,188	1,362	265,669	48,741	17,319	41,727	126,405	**196,844**
Net income	$ 343,292	$ 191,613	$ 601,056	$ 138,803	$ 45,538	$ 116,050	$ 354,840	**$ 550,861**

	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	**Q4-14**
FEC	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	**30-Sep-14**
Sales	$ 381,609	$ 446,720	$ 331,617	$ 267,644	$ 334,842	$ 405,754	$ 261,142	**$ 222,063**
Cost of sales	253,688	236,592	208,259	179,579	215,971	201,324	158,949	**140,575**
Gross profit	127,921	210,128	123,358	88,065	118,871	204,430	102,193	**81,488**
Selling and administrative expenses	183,302	144,614	132,205	148,074	142,204	146,258	143,638	**151,525**
Finance costs	979	528	313	152	16	-	-	**-**
Income taxes	(13,294)	63,893	(50,733)	(15,040)	(2,023)	15,122	(10,775)	**(18,208)**
Net income (loss)	$ (43,066)	$ 1,093	$ 41,573	$ (45,121)	$ (21,326)	$ 43,050	$ (30,670)	**$ (51,829)**

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 Q1-13 to Q2-13 is due primarily to lower gross profit in Q2-13 compared to Q1-13.
- The increase in net operating results from Q2-13 to Q3-13 is due primarily to higher sales and gross profit in Q3-13 compared to Q2-13.
- The decrease in net operating results from Q3-13 to Q4-13 is due primarily to lower sales and gross profit in Q4-13 compared to Q3-13.
- The decrease in net operating results from Q4-13 to Q1-14 is due primarily to lower sales in Q1-14 compared to Q4-13.
- The increase in net operating results from Q1-14 to Q2-14 is due primarily to higher gross profit in Q2-14 compared to Q1-14.
- The increase in net operating results from Q2-14 to Q3-14 is due primarily to higher sales and gross profit in Q3-14 compared to Q2-14.
- The increase in net operating results from Q3-14 to Q4-14 is due primarily to higher sales in Q4-14 compared to Q3-14.

Liquidity and Capital Resources

Operating Activities

Cash used by operating activities increased to $1,476,145 in Q4-14 from $1,440,307 in Q4-13 due primarily to the combined effect of the change in non-cash operating working capital, partially offset by higher net income in Q4-14 as compared to Q4-13.

Cash provided by operating activities amounted to $1,283,687 in 2014, compared to cash used in operating activities of $2,891,440 in 2013. The change in cash from operating activities is due primarily to the collection of finance receivables in 2014.

Except for the collection of finance receivables, we expect our operating activities to continue to use cash as our working capital requirements increase to support growth in our sales.

Investing Activities

Cash used in investing activities decreased to $153,176 in Q4-14 from $175,763 in Q4-13 due to lower purchases of equipment in Q4-14 as compared to Q4-13.

Cash used in investing activities increased to $281,135 in 2014 from $22,874 in 2013 due primarily to the decrease in restricted cash in 2013.

We have not entered into any proposed material asset or business acquisition or disposition agreements, and we do not anticipate to significantly increase our investment in capital expenditures in 2015.

Financing Activities

Cash provided by financing activities increased to $1,812,341 in Q4-14 from $596,349 in Q4-13 due primarily to higher proceeds from operating loans and securitization debt in Q4-14 as compared to Q4-13.

Cash used in financing activities amounted to $635,059 in 2014, compared to cash provided by financing activities of $3,756,013 in 2013. The change in cash from financing activities is due primarily to repayments on the securitization debt, subordinate debt and revolving loans in 2014.

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

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, repayment of our operating loans, securitization debt and subordinate debt, and funding of capital expenditures. We expect a significant increase in our near-term cash requirements for working capital due to the anticipated increase in sales orders from FAS' affiliates for the expansion of their chain of Billy Beez® family entertainment centres. A substantial portion of the proceeds from the Private Placement will be used to fund our working capital requirements.

Our sources of cash include cash on hand, trade receivables, customer deposits, cash from operations, funding from our credit facilities (see "Credit Facilities") and proceeds from the Private Placement. 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 source of funds for our future capital expenditures and commitments includes proceeds from the Private Placement, borrowings (see "Credit Facilities"), cash from operations, cash on hand, and trade receivables as follows:

- Receipt of proceeds of $8,839,500 on November 19, 2014 from the Private Placement.
- Cash and cash equivalents of $2,090,251 at September 30, 2014 (September 30, 2013 – $1,693,876).
- Trade and other receivables of $2,674,568 at September 30, 2014 (September 30, 2013 – 1,662,452).

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

The Corporation's capital is comprised of operating loans, securitization debt, subordinate debt and shareholders' equity, including proceeds from the Private Placement net of share issuance costs.

The Corporation augments these capital sources with an Overdraft Facility of $600,000, an Operating Loan Facility of U.S. $1,500,000 ($1,681,000 in Canadian dollars), and a Securitization Facility of U.S. $4,320,000 ($4,842,000 in Canadian dollars), which are all subject to annual renewals (see "Credit Facilities").

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

On November 24, 2014, the Corporation extinguished its subordinate debt for $734,036, including interest and fees.

On April 3, 2014, the Corporation exercised its option under the subordinate debt agreement to extinguish its revolving loans of $310,000 (see "Related Party Transactions").

Our 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, 2014, 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, as amended on April 2, 2014, (the "Credit Facilities") with a large Canadian financial institution (the "Bank"):

(a) *Overdraft Facility*

The Overdraft Facility is a demand revolving loan of up to $600,000 bearing interest at the bank's prime rate plus 1.50% per annum and margined by trade receivables and certain equipment of the Corporation.

(b) *Export Loan Facility*

The Export Loan Facility is comprised of a manufacturer's advance facility in the form of a demand revolving line of U.S. $1,500,000 ($1,681,000 in Canadian dollars) ("Operating Loan Facility") and a trade invoice non-recourse financing facility in the form of a demand revolving line of U.S. $4,320,000 ($4,842,000 in Canadian dollars) ("Securitization Facility").

Operating Loan Facility

Under the Operating Loan Facility, the Corporation may finance up to 60% of customer purchase orders approved by the 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 90 days of funding.

Securitization Facility

Under the Securitization Facility, the Corporation may sell to the Bank select insured trade receivables net of a discount fee of USD LIBOR plus 3.50%.

(c) *Foreign Exchange Loan Facility*

The Foreign Exchange Loan Facility is a demand revolving line of $1,200,000 for the purchase of foreign exchange forward contracts and options up to an aggregate of $6,666,666, with a maximum maturity of 12 months.

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.

Market Risk Disclosure

Currency risk

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

We are exposed to foreign currency fluctuations because a significant portion of our sales are denominated in U.S. dollars and a significant portion of our expenses are incurred in Canadian dollars. We monitor our exposure to fluctuations between the U.S. dollar and the Canadian dollar and manage this risk by entering into foreign exchange forward contracts. 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 $1,200,000 to purchase foreign exchange forward contracts and options up to an aggregate of $6,666,666, 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.

In 2014, the Corporation recorded a net foreign exchange loss of $71,684 (2013 - $6,434) on its foreign exchange forward contracts due to the weakening of the Canadian dollar against the U.S. dollar. At September 30, 2014 and September 30, 2013, there were no foreign exchange forward contracts outstanding.

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 Canadian financial institutions with high investment grade ratings.

We perform ongoing credit evaluations of our customers, and we carry third party insurance that limits our exposure to approximately 10% of the bad debt amount from impaired finance receivables and insured trade receivables.

Trade receivables with three customers represent approximately 74% of the balance of trade receivables at September 30, 2014 (September 30, 2013 – three customers representing approximately 75%). It is the opinion of management that these accounts do not represent a significant credit risk.

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, securitization debt and subordinate debt, which are subject to variable interest rates.

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

Related Party Transactions

On April 3, 2014, the Corporation extinguished its revolving loans, in the aggregate principal amount of $310,000, with the Corporation's Chief Executive Officer, President, Chief Financial Officer, and one of its former directors. The revolving loans were unsecured and bore interest at a rate of 15.0% per annum.

During the years ended September 30, 2014 and 2013, the Corporation purchased raw material inventories of U.S. $633,049 ($687,737 in Canadian dollars) and U.S. $169,718 ($175,574 in Canadian dollars), respectively, from an entity controlled by a party related to the President of the Corporation (the "Related Entity"). At September 30, 2014 and 2013, the Corporation's trade payables and accrued charges include U.S. $42,520 ($47,656 in Canadian dollars) and U.S. $39,808 ($41,152 in Canadian dollars), respectively, payable to the Related Entity for the purchase of raw material inventories. At September 30, 2014 and 2013, the Corporation's prepaid expenses and deposits include U.S. $159,774 ($173,713 in Canadian dollars) and nil, respectively, on deposit with the Related Entity for the purchase of raw material inventories.

Outstanding Share Capital

At September 30, 2014, the Corporation had 10,220,187 common shares issued and outstanding and no warrants or share options outstanding. On November 19, 2014, pursuant to the Private Placement, the Corporation issued 10,650,000 common shares and 1,065,000 warrants to FAS. At November 27, 2014, the Corporation had 20,870,187 common shares and 1,065,000 warrants issued and outstanding, and no 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.

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