2015

Iplayco Corporation Ltd.

Consolidated Financial Statements

Years ended September 30, 2015 and 2014

(*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"	"Scott Forbes"
Chief Financial Officer and Corporate Secretary	*President & Chief Executive Officer and Director*

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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, 2015 and September 30, 2014, 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, 2015 and September 30, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed Deloitte LLP)

Chartered Professional Accountants
December 2, 2015
Vancouver, Canada

Iplayco Corporation Ltd.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	September 30, 2015	September 30, 2014
Assets			
Current assets			
Cash and cash equivalents		**$ 4,947,024**	$ 2,090,251
Finance receivables	10	**-**	3,388,255
Trade and other receivables	20	**6,873,151**	2,674,568
Income taxes receivable		**224,900**	-
Inventories	6	**2,008,310**	1,360,451
Prepaid expenses and deposits		**740,764**	677,099
		14,794,149	10,190,624
Non-current assets			
Equipment	7	**1,717,526**	1,569,173
Deferred income tax assets	18	**150,393**	41,423
Deferred share issuance costs	14(a)	**-**	370,613
Total Assets		**$ 16,662,068**	$ 12,171,833
Liabilities and Shareholders' Equity			
Current liabilities			
Operating loans	9	**$ -**	$ 784,560
Securitization debt	10	**-**	3,049,429
Current portion of subordinate debt	11	**-**	188,237
Trade payables, accrued charges and other	13	**2,076,735**	2,016,897
Income taxes payable		**-**	356,328
Customer deposits and deferred revenue		**975,738**	869,356
Current portion of rent inducement	17	**15,791**	-
		3,068,264	7,264,807
Non-current liabilities			
Subordinate debt	11	**-**	353,549
Rent inducement	17	**121,112**	143,645
Deferred income tax liabilities	18	**87,024**	93,824
Total Liabilities		**3,276,400**	7,855,825
Shareholders' Equity			
Share capital	14(a)	**9,859,270**	1,757,643
Warrants reserve	14(a)	**450,971**	-
Share-based payments reserve	15	**256,858**	256,858
Retained earnings		**2,818,569**	2,301,507
Total Shareholders' Equity		**13,385,668**	4,316,008
Total Liabilities and Shareholders' Equity		**$ 16,662,068**	$ 12,171,833

Commitments (Note 17)

"Scott Forbes"	"Muhanad Awad"
President & CEO	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	Years ended September 30, 2015	2014
Sales		**$ 17,202,988**	$ 16,537,972
Cost of sales	*16*	**10,876,326**	10,178,977
Gross profit		**6,326,662**	6,358,995
Selling and administrative expenses	*16*	**5,880,947**	4,799,043
Foreign exchange gain		**(586,025)**	(39,225)
		5,294,922	4,759,818
Operating income		**1,031,740**	1,599,177
Finance costs		**320,059**	226,252
Income before income taxes		**711,681**	1,372,925
Income tax provision			
Current	*18*	**209,585**	386,781
Deferred	*18*	**(14,966)**	(20,370)
		194,619	366,411
Net income and total comprehensive income		**517,062**	1,006,514
Net income per common share			
Basic	*14(b)*	**$ 0.03**	$ 0.10
Diluted	*14(b)*	**$ 0.03**	$ 0.10
Weighted average number of common shares outstanding			
Basic	*14(b)*	**19,436,533**	10,220,187
Diluted	*14(b)*	**20,358,168**	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	Warrants reserve	Share-based payments reserve[2]	Retained earnings	Total shareholders' equity
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
Proceeds from private placement, less share issuance costs net of tax (Note 14(a))	**10,650,000**	**8,101,627**	**450,971**	**-**	**-**	**8,552,598**
Net income and total comprehensive income	**-**	**-**	**-**	**-**	**517,062**	**517,062**
Balance at September 30, 2015	**20,870,187**	**$9,859,270**	**$ 450,971**	**$ 256,858**	**$2,818,569**	**$ 13,385,668**

(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	2015	2014
		Years ended September 30,	
Operating activities			
Net income		**$ 517,062**	$ 1,006,514
Items not affecting cash			
Depreciation	7	**339,849**	295,803
Deferred income taxes	18	**(14,966)**	(20,370)
Rent inducement		**(6,742)**	(16,580)
Unrealized foreign exchange gain		**(258,702)**	(94,050)
Finance costs		**320,059**	226,252
		896,560	1,397,569
Change in non-cash operating working capital			
Finance receivables	10	**3,388,255**	577,988
Trade and other receivables		**(4,030,348)**	(938,907)
Inventories	6	**(647,859)**	(239,810)
Prepaid expenses		**(63,665)**	(404,180)
Trade payables, accrued charges and other		**(5,464)**	386,660
Current income tax expense	18	**209,585**	386,781
Customer deposits and deferred revenue		**106,382**	373,570
		(1,043,114)	142,102
Interest paid		**(320,059)**	(196,252)
Income taxes paid		**(743,696)**	(59,732)
Cash provided by (used in) operating activities		**(1,210,309)**	1,283,687
Investing activities			
Purchase of equipment	7	**(454,286)**	(281,135)
Cash used in investing activities		**(454,286)**	(281,135)
Financing activities			
Proceeds from operating loans	9	**1,698,614**	1,971,790
Repayment of operating loans	9	**(784,560)**	-
Proceeds from securitization debt	10	**1,107,357**	1,754,664
Repayment of securitization debt	10	**(5,855,400)**	(3,480,074)
Repayment of subordinate debt	11	**(557,517)**	(199,000)
Increase in share issuance costs	14(a)	**(17,093)**	(370,613)
Proceeds from issuance of shares and warrants	14(a)	**8,839,500**	-
Repayment of revolving loans		**-**	(310,000)
Repayment of finance lease liabilities		**-**	(1,826)
Cash provided by (used in) financing activities		**4,430,901**	(635,059)
Net increase in cash and cash equivalents		**2,766,306**	367,493
Effect of foreign exchange rate changes on cash and cash equivalents		**90,467**	28,882
Cash and cash equivalents at beginning of the year		**2,090,251**	1,693,876
Cash and cash equivalents at end of the year		**$ 4,947,024**	$ 2,090,251
Cash and cash equivalents comprised of:			
Cash		**$ 4,647,024**	$ 1,890,251
Cash equivalents		**300,000**	200,000
Supplemental cash flow disclosures - non cash transactions			
Purchase of equipment	7	**$ 33,916**	$ -
Amortization of financing costs - subordinate debt	11	**15,731**	15,731
Settlement of operating loans with proceeds from securitization debt	9	**1,698,614**	1,205,220

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 common shares trade on the TSX Venture Exchange under the trading symbol "IPC".

The Corporation's business is carried out through its wholly owned subsidiaries, International Play Company Inc. ("IPC"), Iplayco Inc. ("IPI"), Iplayco Canada Inc. ("ICI") and Outdoor Play Company Inc. ("OPC"). The Corporation operates in two business segments: (i) Manufacturing of play structures for children from its plant in Langley, British Columbia, Canada; and (ii) Operating 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 December 2, 2015.

Basis of measurement

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

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. 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 net income and total comprehensive income. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis in net income and total comprehensive income.

Financial instruments

(i) Financial assets

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

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

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

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

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

Determination of fair value:

The fair value of financial assets at fair value through net income and total comprehensive income 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.

3. Significant accounting policies (continued)

Financial instruments (continued)

(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. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand and design, which would impair the value of inventory on hand.

Equipment and depreciation

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

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

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

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

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

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

3. Significant accounting policies (continued)

Leases

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

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

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

Impairment

(i) Financial assets

Financial assets not carried at fair value through net income and total comprehensive income 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.

(ii) Non-financial assets

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

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized through net income and total comprehensive income. 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.

3. Significant accounting policies (continued)

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.

(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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

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.

Finance costs

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

Income taxes

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

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

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

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

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

3. Significant accounting policies (continued)

Income taxes (continued)

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

Employee future benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income and total comprehensive income 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.

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

Share-based compensation plan

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

At each reporting date, the Corporation reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision through net income and total comprehensive income 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.

3. Significant accounting policies (continued)

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 with respect to its functional currency and that of its subsidiaries. For the Corporation and its subsidiary OPC, substantially all revenues and operating expenses are denominated in Canadian dollars. For the Corporation's subsidiaries IPC, IPI and ICI, revenues are primarily denominated in U.S. dollars and the majority of operating expenditures are denominated in Canadian dollars. Sales contracts are costed in Canadian dollars and receipts from operating activities denominated in U.S. dollars 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.

4. Critical accounting estimates and judgments (continued)

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.

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

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 permitted. The adoption of this new standard did not have an impact on the Consolidated Financial Statements of the Corporation.

(ii) Issued and not yet adopted

The following applicable pronouncements issued by the IASB are effective for the Corporation's annual accounting periods after September 30, 2015. The Corporation is currently assessing the impact of these new standards on its Consolidated Financial Statements:

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, 2018, 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, 2015	September 30, 2014
Raw materials	**$ 1,764,728**	$ 1,294,922
Work in progress	**74,474**	20,173
Finished goods	**169,108**	45,356
Total inventory	**$ 2,008,310**	$ 1,360,451

At September 30, 2015, raw materials include inventories measured at net realizable value of $33,964 (September 30, 2014 - $64,893).

Inventories included in cost of sales for the year ended September 30, 2015 amount to $6,252,105 (September 30, 2014 - $6,415,152).

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

	September 30, 2015	September 30, 2014
Balance at beginning of year	**$ 74,388**	$ 65,335
Write-offs	**(22,631)**	(11,004)
Increase in allowance	**18,327**	20,057
Balance at end of year	**$ 70,084**	$ 74,388

(Expressed in Canadian dollars)

7. Equipment

	Automotive	Computer Equipment	Furniture and Fixtures	Machinery and Equipment	Moulds	Leasehold Improvements	Total
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
Carrying amount at September 30, 2014	**$ 6,057**	**$ 163,091**	**$ 80,079**	**$ 735,131**	**$ 30,140**	**$ 554,675**	**$ 1,569,173**
Additions	**64,690**	**162,429**	**50,834**	**74,561**	**51,552**	**84,136**	**488,202**
Depreciation	**(16,267)**	**(71,872)**	**(20,526)**	**(140,345)**	**(10,240)**	**(80,599)**	**(339,849)**
Carrying amount at September 30, 2015	**$ 54,480**	**$ 253,648**	**$ 110,387**	**$ 669,347**	**$ 71,452**	**$ 558,212**	**$ 1,717,526**
Balance at September 30, 2015 comprised of:							
Cost	**$ 70,176**	**$ 462,351**	**$ 210,268**	**$ 1,859,797**	**$ 196,071**	**$ 1,036,080**	**$ 3,834,743**
Accumulated depreciation	**(15,696)**	**(208,703)**	**(99,881)**	**(1,190,450)**	**(124,619)**	**(477,868)**	**(2,117,217)**
Carrying amount	**$ 54,480**	**$ 253,648**	**$ 110,387**	**$ 669,347**	**$ 71,452**	**$ 558,212**	**$ 1,717,526**

8. Credit facilities

The Corporation has the following credit facilities, as amended on August 12, 2015, (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.

At September 30, 2015 and 2014, no amounts were drawn under this facility.

(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. $2,500,000 ($3,348,000 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. $7,920,000 ($10,608,000 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 $8,000,000, 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, 2015 and 2014, 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, 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**
Proceeds from operating loans	1,495,800	**1,698,614**
Repayment of operating loans	(700,000)	**(789,740)**
Repayment using proceeds from securitization debt	(1,495,800)	**(1,867,777)**
Net realized foreign exchange loss on repayment	-	**174,343**
Balance at September 30, 2015	-	**-**

10. Finance receivables and securitization debt

The carrying amounts of finance receivables are comprised of U.S. dollar denominated trade receivables, 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. At September 30, 2015, the Corporation had a balance of NIL for finance receivables and securitization debt.

	September 30, 2014	
	U.S. dollars	Canadian dollars
Finance receivables	3,023,068	3,388,255
Less: Holdbacks	(302,307)	(338,826)
Securitization debt	2,720,761	3,049,429

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.

11. Subordinate debt

On November 24, 2014, the Corporation extinguished its subordinate debt for $734,036, including principal of $543,250, interest of $69,552, and administration fees and royalties of $121,234.

12. Related party transactions

Transactions with affiliated companies

Pursuant to the private placement described in Note 14, the Corporation became affiliated with various entities controlled by Saudi FAS Holding Company (the “Affiliates”), which are also customers of the Corporation. The Corporation recorded the following sales in U.S. dollars to the Affiliates:

	Years ended September 30,	
	2015	2014
Sales in U.S. dollars	**$ 6,467,352**	$ 4,195,378
Equivalent in Canadian dollars	**8,010,735**	4,581,629

The Corporation’s trade receivables include the following amounts denominated in U.S. dollars that are due from the Affiliates:

	September 30,	
	2015	2014
Balance in U.S. dollars	**$ 4,641,192**	$ 1,111,832
Equivalent in Canadian dollars	**6,216,413**	1,246,141

Transactions with a related entity

The Corporation recorded the following purchases in U.S. dollars of raw material inventories from an entity controlled by a party related to the President & CEO of the Corporation (the “Related Entity”):

	Years ended September 30,	
	2015	2014
Purchases in U.S. dollars	**$ 686,584**	$ 633,049
Equivalent in Canadian dollars	**837,602**	687,737

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,	
	2015	2014
Balance in U.S. dollars	**$ -**	$ 42,520
Equivalent in Canadian dollars	**-**	47,656

12. Related party transactions (continued)

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,	
	2015	2014
Balance in U.S. dollars	**$ 331,697**	$ 159,774
Equivalent in Canadian dollars	**406,986**	173,713

13. Trade payables, accrued charges and other

	September 30,	
	2015	2014
Trade payables	**$ 1,055,874**	$ 889,064
Accrued charges	**1,007,246**	1,120,042
Warranty provision	**13,615**	7,791
	$ 2,076,735	$ 2,016,897

14. Share capital

(a) *Private placement*

On November 19, 2014, the Corporation completed a non-brokered private placement, with Saudi FAS Holding Company and its wholly-owned British Columbia subsidiary, FAS Entertainment B.C. Ltd., (collectively "FAS") pursuant to which FAS purchased 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 consists of one common share of the Corporation and one tenth of a share purchase warrant, with each whole warrant being exercisable until October 1, 2016 to acquire one additional common share at a price of $0.85 per common share.

Total net proceeds of $8,552,598 from the private placement is comprised of gross proceeds of $8,839,500 less share issuance costs of $286,902 net of tax, and has been allocated to share capital and the warrants reserve based on the relative fair values of the common shares and the warrants. The grant date fair value of the warrants amounts to $681,748 and was determined by using a Black-Scholes pricing model with the following input assumptions: expected life of 1.9 years; risk-free interest rate of 1.4%; expected volatility of 92.0%; and expected dividend yield of nil.

(Expressed in Canadian dollars)

14. Share capital (continued)

(b) Basic and diluted net income per common share

	Year ended September 30, 2015		
	Net income	Weighted average number of common shares	Net income per common share
Basic net income per common share	**$ 517,062**	**19,436,533**	**$ 0.03**
Effect of dilutive share purchase warrants	**-**	**921,635**	**-**
Diluted net income per common share	**$ 517,062**	**20,358,168**	**$ 0.03**

For the year ended September 30, 2014, there was no potential dilution of common shares.

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.

The maximum number of share options available to be granted under the Option Plan as at September 30, 2015 and 2014 is 2,087,018.

There are no share options outstanding at September 30, 2015 and 2014.

16. Cost of sales and selling and administrative expenses

	Years ended September 30,	
	2015	2014
Cost of materials	**$ 4,681,431**	$ 5,436,465
Shipping, installation and other	**3,676,153**	2,510,534
Short-term employee benefits	**2,366,898**	2,103,402
Post-employment benefits	**26,561**	17,332
Depreciation	**125,283**	111,244
Total cost of sales	**$ 10,876,326**	$ 10,178,977

(Expressed in Canadian dollars)

16. Cost of sales and selling and administrative expenses (continued)

	Years ended September 30,	
	2015	2014
Short-term employee benefits	**$ 2,803,144**	$ 2,477,398
Post-employment benefits	**49,485**	48,346
Marketing, advertising and related expenditures	**495,002**	413,320
Travel and related expenditures	**271,449**	254,216
Rent, utilities, telecom and occupancy costs	**1,081,366**	846,854
Professional fees and insurance costs	**879,724**	460,436
Depreciation	**214,566**	184,559
Bank charges and bad debts	**86,211**	113,914
Total selling and administrative expenses	**$ 5,880,947**	$ 4,799,043

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

	Years ended September 30,	
	2015	2014
Short-term employee benefits	**$ 714,516**	$ 1,122,261
Post-employment benefits	**25,167**	26,000
Severance paid to former Chief Executive Officer	**581,186**	-
	$ 1,320,869	$ 1,148,261

17. Commitments

The Corporation leases premises and certain equipment under long-term operating lease agreements that expire at various dates up to November 30, 2020. At September 30, 2015, the future minimum lease payments, including estimated occupancy costs, are as follows:

	September 30, 2015
Due within 1 year	**$ 888,919**
Between 1 year and 5 years	**3,768,776**
More than 5 years	**-**
	$ 4,657,695

(Expressed in Canadian dollars)

17. Commitments (continued)

For the year ended September 30, 2015, selling and administrative expenses include operating lease costs of $803,326 (September 30, 2014 - $602,976).

At September 30, 2015 and 2014, 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,	
	2015	2014
Net deferred income tax liabilities at beginning of the year	**$ (52,401)**	$ (72,771)
Deferred income tax asset from share issuance costs	**100,804**	-
Deferred income tax provision	**14,966**	20,370
Net deferred income tax assets (liabilities) at end of the year	**$ 63,369**	$ (52,401)
Components of deferred income tax assets:		
Timing differences on rent inducement and various accrued expenses	**$ 90,840**	$ 63,210
Share issuance costs	**83,349**	-
	174,189	63,210
Component of deferred income tax liabilities:		
Equipment	**(110,820)**	(115,611)
Net deferred income tax assets (liabilities) at end of the year	**$ 63,369**	$ (52,401)
Aggregation by taxable entity:		
Deferred income tax assets	**$ 150,393**	$ 41,423
Deferred income tax liabilities	**(87,024)**	(93,824)
Net deferred income tax assets (liabilities) at end of the year	**$ 63,369**	$ (52,401)

(Expressed in Canadian dollars)

18. Income taxes (continued)

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, 2015 and 2014, 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,	
	2015	2014
Income before income taxes	**$ 711,681**	$ 1,372,925
Combined Canadian and provincial statutory income tax rate	**26.00%**	26.00%
Expected income tax expense	**$ 185,037**	$ 356,961
Effect of changes in income tax rates	**-**	2,096
Non-deductible expenses and other	**9,582**	7,354
Income tax provision	**$ 194,619**	$ 366,411
Effective income tax rate	**27.35%**	26.69%
Allocation of income tax provision:		
Current	**$ 209,585**	$ 386,781
Deferred	**(14,966)**	(20,370)
	$ 194,619	$ 366,411

19. Capital management

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

	September 30,	
	2015	2014
Operating loans	**$ -**	$ 784,560
Securitization debt	**-**	3,049,429
Subordinate debt	**-**	541,786
Shareholders' equity	**13,385,668**	4,316,008
	$ 13,385,668	$ 8,691,783

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

The Corporation funds its working capital requirements in part with cash and cash equivalents, and available credit facilities described in Note 8, which include an overdraft facility of $600,000, an operating loan facility of U.S. $2,500,000 ($3,348,000 in Canadian dollars), and a securitization facility of U.S. $7,920,000 ($10,608,000 in Canadian dollars). The credit facilities are subject to annual renewals.

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

The Corporation's debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. At September 30, 2015, all financial ratios and tests have been met.

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

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

(Expressed in Canadian dollars)

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, 2015**	September 30, 2014
Loans and receivables financial assets measured at amortized cost	Cash and cash equivalents, finance receivables, and trade and other receivables	**11,820,175**	7,947,985
Financial liabilities measured at amortized cost	Operating loans, securitization debt, subordinate debt, trade payables and accrued charges	**2,063,120**	6,384,881

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, 2015 and 2014, 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.

20. Financial instruments and risk management (continued)

(b) Risks and risk management (continued)

(i) Market risk

a) Interest rate risk

Interest rate risk refers to the risk that the fair value of a financial instrument or the future cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Corporation's interest rate risk arises primarily from its operating loans, 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. At September 30, 2015, the Corporation had no fixed or variable interest rate obligations outstanding.

At September 30, 2014, a sensitivity analysis was performed assuming the Corporation's borrowing interest rates change by 2%, or 200 basis points. For every increase of 2% to the Corporation's borrowing interest rate, with all other variables held constant, net income and total comprehensive income for the year ended September 30, 2014 would decrease by approximately $34,000. 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, 2015, the Corporation recorded a net foreign exchange loss of $15,266 on its foreign exchange forward contracts (September 30, 2014 – $71,684). There were no foreign exchange forward contracts outstanding at September 30, 2015 and 2014.

A sensitivity analysis has been performed assuming the foreign exchange rate changes by 5% at September 30, 2015 and 2014. 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, 2015 would increase by approximately $65,000 (September 30, 2014 – $74,000). 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 at September 30, 2015 as compared to September 30, 2014.

(Expressed in Canadian dollars)

20. Financial instruments and risk management (continued)

(b) Risks and risk management (continued)

(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 purchases third party insurance on trade receivables from certain new customers with larger orders.

Trade receivables with one customer, an affiliate of the Corporation, as described in Note 12, represents approximately 90% of the balance of trade receivables as at September 30, 2015 (September 30, 2014 – three customers representing approximately 74%). It is the opinion of management that the trade receivables from the affiliate do not represent a significant credit risk.

The following table provides the aging of trade receivables:

	September 30, 2015	September 30, 2014
Trade receivables		
Current	**$ 311,317**	$ 862,768
31 to 60 days	**1,260,462**	362,569
61 to 90 days	**34,220**	10,153
91 days +	**451,605**	435,469
	2,057,604	1,670,959
Unbilled receivables from sales arrangments recognized on a percentage of completion basis of accounting	**4,863,865**	991,761
Other receivables	**46,745**	67,363
Allowance for doubtful accounts	**(95,063)**	(55,515)
	$ 6,873,151	$ 2,674,568

(Expressed in Canadian dollars)

20. Financial instruments and risk management (continued)

(ii) Credit risk (continued)

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

	September 30, 2015	2014
Balance at beginning of the year	**$ 55,515**	$ -
Write-offs	**(40,962)**	-
Increase in allowance	**80,510**	55,515
Balance at end of the year	**$ 95,063**	$ 55,515

(ii) 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, 2015:

		Payments due by period			
	Total	Within 1 year	1-3 years	4-5 years	After 5 years
Trade payables, accrued charges and other	**2,076,735**	2,076,735	-	-	-
Operating leases	**4,657,695**	888,919	2,830,090	938,686	-
	$ 6,734,430	$ 2,965,654	$ 2,830,090	$ 938,686	$ -

(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, 2015		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 15,950,637	$ 1,252,351	$ 17,202,988
Cost of sales	10,132,271	744,055	10,876,326
Gross profit	5,818,366	508,296	6,326,662
Selling and administrative expenses	5,291,928	589,019	5,880,947
Foreign exchange gain	(586,025)	-	(586,025)
Finance costs	320,059	-	320,059
Income taxes	214,396	(19,777)	194,619
Net income (loss)	$ 578,008	$ (60,946)	$ 517,062
Total assets	$ 15,409,637	$ 1,252,431	$ 16,662,068
Total liabilities	$ 3,071,594	$ 204,806	$ 3,276,400
Depreciation expense	$ 201,732	$ 138,117	$ 339,849
Purchase of equipment	$ 419,242	$ 68,960	$ 488,202

(Expressed in Canadian dollars)

21. Segment reporting and concentration of sales (continued)

(a) Business segments (continued)

	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

(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,	
	2015	2014
Sales		
Canada	**$ 2,705,346**	$ 1,996,070
Americas	**10,252,177**	4,353,013
Other	**4,245,465**	10,188,889
	$ 17,202,988	$ 16,537,972

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,	
	2015	2014
Customer A	**$ 8,010,735**	$ 4,581,629
Customer B	**-**	1,695,996

Management's Discussion and Analysis

This discussion and analysis of financial condition and results of operations ("MD&A") of Iplayco Corporation Ltd. ("Iplayco", "the Corporation", "we", "us", or "our") is prepared as of December 2, 2015 and should be read together in conjunction with our annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2015 and 2014.

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

Iplayco is incorporated under the Alberta Business Corporations Act and its common shares trade on the TSX Venture Exchange under the trading symbol "IPC". Iplayco's business is carried out through its wholly owned subsidiaries Iplayco Inc., Iplayco Canada Inc., International Play Company Inc. and Outdoor Play Company Inc. Iplayco operates in two business segments: (i) Manufacturing of play structures for children, from its plant in Langley, British Columbia, Canada ("Manufacturing" or "MFG"); and (ii) Operating a family entertainment centre in Langley, British Columbia, Canada ("Family Entertainment Centre" or "FEC").

On November 19, 2014, the Corporation completed a non-brokered private placement, with Saudi FAS Holding Company and its wholly-owned British Columbia subsidiary, FAS Entertainment B.C. Ltd., (collectively "FAS") pursuant to which FAS purchased 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 consists of one common share of the Corporation and one tenth of a share purchase warrant, with each whole warrant being exercisable until October 1, 2016 to acquire one additional common share at a price of $0.85 per common share. FAS owns 51.03% of Iplayco's issued and outstanding common shares, and 53.41% on a fully diluted basis, assuming full conversion of the warrants.

FAS is a private company incorporated pursuant to the laws of the Kingdom of Saudi Arabia. All of the outstanding securities of FAS are beneficially held by three individuals. FAS controls Arabian Centres Company Limited ("ACCL") and Retail Group of America ("RGA"), Iplayco's largest customers over the past three years. FAS also controls Fawaz Abdulaziz Al Hokair & Co., a retail conglomerate listed on the Saudi stock exchange (Tadawul), with a market capitalization of approximately 14 billion Saudi Riyal (or approximately $5 billion in Canadian dollars). Through ACCL and RGA, FAS is planning to expand its chain of Billy Beez family entertainment centres in the Middle East and North America. With its private placement, FAS has invested in Iplayco to secure supply of play structures for its Billy Beez expansion. In addition to supplying ACCL and RGA, Iplayco will continue to service and grow its existing customer base. For more information on FAS, please visit the company's website at: www.fawazalhokair.com.

Consolidated Results

Sales for the three months ended September 30, 2015 ("Q4-15") decreased by 9.2% to $5,244,429 from $5,777,206 for the three months ended September 30, 2014 ("Q4-14"). Gross profit percentage decreased to 34.2% of sales in Q4-15 from 35.0% in Q4-14. Operating expenses, including foreign exchange gains and losses and finance costs, increased to $1,517,643, or 28.9% of sales, in Q4-15 from $1,346,066, or 23.3% of sales, in Q4-14. Net income decreased to $216,409, or diluted net income per share of $0.01, in Q4-15, compared to net income of $499,032, or diluted net income per share of $0.05, in Q4-14.

Sales for the year ended September 30, 2015 ("2015") increased by 4.0% to $17,202,988 from $16,537,972 for the year ended September 30, 2014 ("2014"). Gross profit percentage decreased to 36.8% of sales in 2015 from 38.5% in 2014. Operating expenses, including foreign exchange gains and losses and finance costs, increased to $5,614,981, or 32.6% of sales, in 2015 from $4,986,070, or 30.1% of sales, in 2014. Net income decreased to $517,062, or diluted net income per share of $0.03, in 2015, from $1,006,514, or diluted net income per share of $0.10, in 2014.

Manufacturing Operations

Sales generated by our Manufacturing operations decreased by 10.9% to $4,949,115 in Q4-15 from $5,555,143 in Q4-14. This decrease is due to lower sales to our customers located outside of the Americas, who accounted for sales of $778,883 (or 15.7% of total Manufacturing sales) in Q4-15 compared to $3,233,756 (or 58.2%) in Q4-14, partially offset by higher sales to our customers located in the Americas, including Canada, who accounted for sales of $4,170,232 (or 84.3% of total Manufacturing sales) in Q4-15 compared to $2,321,387 (or 41.8%) in Q4-14.

Sales generated by our Manufacturing operations increased by 4.2% to $15,950,637 in 2015 from $15,314,171 in 2014. This increase is due primarily to higher sales to our customers located in the Americas, including Canada, who accounted for sales of $11,705,172 (or 73.4% of total Manufacturing sales) in 2015 compared to $5,125,282 (or 33.5%) in 2014, partially offset by lower sales to our customers located outside of the Americas, who accounted for sales of $4,245,465 (or 26.6% of total Manufacturing sales) in 2015 compared to $10,188,889 (or 66.5%) in 2014.

Sales to related parties, ACCL and RGA, accounted for 60.9% of sales by our Manufacturing operations in Q4-15 (50.2% in 2015) as compared to 37.9% of sales by our Manufacturing operations in Q4-14 (29.9% in 2014). Should ACCL and RGA 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 ACCL and RGA for the foreseeable future.

We expected sales generated by our Manufacturing operations in Q4-15 to increase moderately as compared to sales for the three months ended June 30, 2015 ("Q3-15"). Sales generated by our Manufacturing operations increased by 18.9% to $4,949,115 in Q4-15 from $4,162,310 in Q3-15. Based on our updated sales forecast, we are expecting sales generated by our Manufacturing operations for the three months ending December 31, 2015 ("Q1-16") to decrease significantly as compared to Q4-15.

Gross profit percentage decreased to 33.5% of sales by our Manufacturing operations in Q4-15 from 35.0% in Q4-14. We expected our gross profit percentage in Q4-15 to remain in-line with Q3-15. Gross profit percentage increased to 33.5% of sales by our Manufacturing operations in Q4-15 from 32.8% in Q3-15 due primarily to favourable foreign exchange rates between the U.S. dollar and the Canadian dollar in Q4-15 as compared to Q3-15. Based on our updated sales-mix forecast, we are expecting gross profit percentage from our Manufacturing operations in Q1-16 to remain in-line with Q4-15.

Gross profit percentage decreased to 36.5% of sales by our Manufacturing operations in 2015 from 38.2% in 2014 due primarily to unfavorable sales-mix in 2015 as compared to 2014.

Our Manufacturing operations generated net income of $227,644 in Q4-15 compared to net income of $550,861 in Q4-14. We expected the net operating results from our Manufacturing operations to decrease moderately in Q4-15 as compared to Q3-15 due primarily to the severance charge of

$581,186 from the retirement of the Corporation's former Chief Executive Officer on August 11, 2015. Our Manufacturing operations generated net income of $227,644 in Q4-15 compared to net income of $5,436 in Q3-15 due primarily to higher than anticipated sales and foreign exchange gains. We are expecting net income from our Manufacturing operations to decrease moderately in Q1-16 as compared to Q4-15 due primarily to lower anticipated sales and foreign exchange gains in Q1-16 as compared to Q4-15.

Our Manufacturing operations generated net income of $578,008 in 2015 compared to net income of $1,067,289 in 2014. The decrease in net income is due primarily to the combined effect of the severance charge of $581,186 from the retirement of the Corporation's former Chief Executive Officer on August 11, 2015 and higher finance costs from the extinguishment of the subordinate debt on November 24, 2014, partially offset by an increase in foreign exchange gains in 2015 as compared to 2014.

Family Entertainment Centre Operations

Sales generated by our FEC operations increased by 33.0% to $295,314 in Q4-15 from $222,063 in Q4-14. We expected sales generated by our FEC operations to decrease moderately in Q4-15 as compared to Q3-15 due primarily to seasonality. Sales generated by our FEC operations increased by 19.0% to $295,314 in Q4-15 from $248,152 in Q3-15. Based on our updated sales forecast, we are expecting sales generated by our FEC operations in Q1-16 to remain in-line with Q4-15.

Sales generated by our FEC operations increased by 2.3% to $1,252,351 in 2015 from $1,223,801 in 2014 due primarily to an increase in the number of customer visits to our FEC.

Our FEC operations generated a net loss of $11,235 in Q4-15 compared to a net loss of $51,829 in Q4-14. We expected the net operating results from our FEC operations to decrease moderately in Q4-15 as compared to Q3-15 due primarily to seasonality. Our FEC operations generated a net loss of $11,235 in Q4-15 as compared to a net loss of $55,570 in Q3-15. Based on our updated forecasts, we are expecting the net operating results from our FEC operations in Q1-16 to remain in-line with Q4-15.

Our FEC operations generated a net loss of $60,946 in 2015, compared to a net loss of $60,775 in 2014.

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, 2015 and 2014, expressed as a percentage of total sales:

	Three months ended September 30, 2015			Three months ended September 30, 2014		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales to external customers	**94.4 %**	**5.6 %**	**100.0 %**	96.2 %	3.8 %	100.0 %
Cost of sales	**62.8**	**3.0**	**65.8**	62.6	2.4	65.0
Gross profit	**31.6**	**2.6**	**34.2**	33.6	1.4	35.0
Selling and administrative expenses	**33.2**	**2.9**	**36.1**	20.4	2.6	23.0
Foreign exchange gain	**(6.7)**	**-**	**(6.7)**	(0.8)	-	(0.8)
Finance costs	**(0.4)**	**-**	**(0.4)**	1.1	-	1.1
Income taxes	**1.2**	**(0.1)**	**1.1**	3.4	(0.3)	3.1
Net income (loss)	**4.3 %**	**(0.2) %**	**4.1 %**	9.5 %	(0.9) %	8.6 %

	Year ended September 30, 2015			Year ended September 30, 2014		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales to external customers	**92.7 %**	**7.3 %**	**100.0 %**	92.6 %	7.4 %	100.0 %
Cost of sales	**58.9**	**4.3**	**63.2**	57.2	4.3	61.5
Gross profit	**33.8**	**3.0**	**36.8**	35.4	3.1	38.5
Selling and administrative expenses	**30.8**	**3.4**	**34.2**	25.5	3.5	29.0
Foreign exchange gain	**(3.4)**	**-**	**(3.4)**	(0.2)	-	(0.2)
Finance costs	**1.9**	**-**	**1.9**	1.4	-	1.4
Income taxes	**1.2**	**(0.1)**	**1.1**	2.3	(0.1)	2.2
Net income (loss)	**3.3 %**	**(0.3) %**	**3.0 %**	6.4 %	(0.3) %	6.1 %

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

	Three months ended September 30, 2015			Three months ended September 30, 2014		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**8.5 %**	**5.6 %**	**14.1 %**	9.3 %	3.8 %	13.1 %
Americas	**71.0**	**-**	**71.0**	30.9	-	30.9
Other	**14.9**	**-**	**14.9**	56.0	-	56.0
	94.4 %	**5.6 %**	**100.0 %**	96.2 %	3.8 %	100.0 %

	Year ended September 30, 2015			Year ended September 30, 2014		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**8.4 %**	**7.3 %**	**15.7 %**	4.7 %	7.4 %	12.1 %
Americas	**59.6**	**-**	**59.6**	26.3	-	26.3
Other	**24.7**	**-**	**24.7**	61.6	-	61.6
	92.7 %	**7.3 %**	**100.0 %**	92.6 %	7.4 %	100.0 %

Results of Operations – Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Sales

Sales decreased by $532,777 (or 9.2%) to $5,244,429 in Q4-15 from $5,777,206 in Q4-14 due primarily to a decrease in sales of $606,028 by our Manufacturing operations.

We expected our sales to increase moderately in Q4-15 as compared to Q3-15. Sales increased by $833,967 (or 18.9%) to $5,244,429 in Q4-15 from $4,410,462 in Q3-15. Based on our updated sales forecasts, we are expecting sales to decrease significantly in Q1-16 as compared to Q4-15.

Gross Profit

Gross profit percentage decreased to 34.2% of sales in Q4-15 from 35.0% in Q4-14. This decrease is due primarily to our Manufacturing operations which generated a gross profit percentage of 33.5% in Q4-15 compared to 35.0% in Q4-14.

We expected our gross profit percentage in Q4-15 to remain in-line with Q3-15. Gross profit percentage increased to 34.2% in Q4-15 compared to 32.6% in Q3-15 due primarily to favourable foreign exchange rates between the U.S. dollar and the Canadian dollar in Q4-15 as compared to Q3-15. Based on our updated sales-mix forecast, we are expecting our gross profit percentage in Q1-16 to remain in-line with Q4-15.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $171,577 (or 12.7%) to $1,517,643 in Q4-15, from $1,346,066 in Q4-14. This increase is due primarily to the severance charge of $581,186 from the retirement of the Corporation's former Chief Executive Officer on August 11, 2015, partially offset by an increase in foreign exchange gains in Q4-15 as compared to Q4-14.

We expected our operating expenses to decrease moderately, as a percentage of sales, in Q4-15 as compared to Q3-15. Our operating expenses decreased to 28.9% of sales in Q4-15 from 33.6% in Q3-15. Based on our updated forecasts, we are expecting operating expenses to increase moderately, as a percentage of sales, in Q1-16 as compared to Q4-15.

Income Taxes

The income tax expense of $61,747 in Q4-15 is due to the income tax expense of $64,619 on earnings before income taxes generated by our Manufacturing operations, partially offset by the deferred income tax recovery of 2,872 on the loss before income taxes from our FEC operations. The income tax expense of $178,636 in Q4-14 is due primarily to the current income tax expense on earnings before income taxes generated by our Manufacturing operations.

Net Operating Results

Net income and total comprehensive income amounted to $216,409, or diluted net income per share of $0.01, in Q4-15, compared to net income of $499,032, or diluted net income per share of $0.05, in Q4-14. The decrease in net operating results is due primarily to the decrease in net income by our Manufacturing operations.

We expected our net operating results to decrease moderately in Q4-15 as compared to Q3-15 due primarily to the severance charge from the retirement of the Corporation's former Chief Executive Officer. We generated net income of $216,409 in Q4-15 compared to a net loss of $50,134 in Q3-15. We are expecting our net operating results to decrease moderately in Q1-16 as compared to Q4-15 due to lower anticipated sales.

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
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	---
2015	$17,202,988	$517,062	$ 0.03	$16,662,068	---	---

We expected sales and net income to increase moderately in 2015 as compared to 2014. Sales increased by $665,016 (or 4.0%) to $17,202,988 in 2015 from $16,537,972 in 2014 due primarily to an increase in sales of $3,429,106 to affiliates of FAS, partially offset by lower sales to other customers in 2015 as compared to 2014. Net income decreased by $489,452 (or 48.6%) to $517,062 in 2015 from $1,006,514 in 2014 due primarily to the severance charge of $581,186 from the retirement of the Corporation's former Chief Executive Officer on August 11, 2015 and higher finance costs from the extinguishment of the subordinate debt on November 24, 2014, partially offset by an increase in foreign exchange gains in 2015 as compared to 2014.

As of the date of this report, we are anticipating sales to increase moderately and net income to increase significantly in 2016 as compared to 2015, due primarily to an increase in anticipated orders from customers other than affiliates of FAS, and lower administrative expenses. We also expect our net income per share to increase significantly in 2016 as compared to 2015, including the potential effect of dilution from the exercise of 1,065,000 warrants by FAS. The warrants are exercisable until October 1, 2016 at a price of $0.85 per common share.

The increase in our total assets from 2013 to 2014 is due primarily to an increase in our working capital, leveraged by an increase in operating loans, securitization debt and subordinated debt. The increase in our total assets from 2014 to 2015 is due primarily to the receipt of $8,839,500 from the issuance of 10,650,000 shares to FAS on November 19, 2014.

The decrease in long-term financial liabilities from 2013 to 2015 is due to repayments and ultimately the early extinguishment of the subordinate debt on November 24, 2014.

We do not anticipate declaring dividends in 2016.

Results of Operations –Year Ended September 30, 2015 Compared to Year Ended September 30, 2014

Sales

Sales increased by $665,016 (or 4.0%) to $17,202,988 in 2015 from $16,537,972 in 2014 due primarily to an increase in sales of $636,466 by our Manufacturing operations.

We are expecting a moderate increase in sales in our 2016 fiscal year as compared to 2015 due primarily to an anticipated increase in sales by our Manufacturing operations.

Gross Profit

Gross profit percentage decreased to 36.8% of sales in 2015 from 38.5% in 2014. This decrease is due primarily to a lower gross profit percentage by our Manufacturing operations which generated a gross profit percentage of 36.5% in 2015, compared to 38.2% in 2014.

We expect our gross profit percentage for our 2016 fiscal year to remain in-line with 2015.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $628,911 (or 12.6%) to $5,614,981 in 2015 from $4,986,070 in 2014. This increase is due primarily to the severance charge of $581,186 from the retirement of the Corporation's former Chief Executive Officer on August 11, 2015 and higher finance costs from the extinguishment of the subordinate debt on November 24, 2014, partially offset by an increase in foreign exchange gains in 2015 as compared to 2014.

Actual results versus expected results for 2015 as compared to 2014 are as follows:

- We expected a moderate increase in selling and administrative expenses, excluding depreciation. Actual selling and administrative expenses, excluding depreciation and the severance charge of $581,186 from the retirement of the Corporation's former Chief Executive Officer, increased marginally by $3,679 (or 0.1%).
- We expected a moderate increase in depreciation expense. Actual depreciation expense increased by $44,046 (or 14.9%).
- We expected an increase in the net effect of foreign exchange due to anticipated higher net assets denominated in U.S. dollars. The actual net foreign exchange gain increased by $546,800 (or 1,394%).
- We expected a decrease in net finance costs. Actual finance costs increased by 171,792 (or 46.9%) due to fees and interest charges from the early extinguishment of the subordinate debt on November 24, 2014.

We expect the following in 2016 as compared to 2015:

- Selling and administrative expenses to remain in-line with 2015, excluding depreciation and the severance charge of $581,186 from the retirement of the Corporation's former Chief Executive Officer.
- Moderate increase in depreciation expense due to the combined effect of a complete year of depreciation of the capital expenditures made in 2015 and anticipated capital expenditures in 2016.
- Significant decrease in net foreign exchange gain due to our forecast stabilization of the Canadian dollar against the U.S. dollar.
- Significant decrease in finance costs due primarily to the extinguishment of the subordinate debt on November 24, 2014.

Income Taxes

The income tax expense of $194,619 in 2015 is due primarily to the current income tax expense on earnings before income taxes generated by our Manufacturing operations. The income tax expense of $366,411 in 2014 is due primarily to the current income tax expense on earnings before income taxes generated by our Manufacturing operations. We expect our effective tax rate in 2016 to remain in-line with our effective tax rate of 27.3% in 2015.

Net Operating Results

Net income and total comprehensive income amounted to $517,062, or diluted net income per share of $0.03, in 2015, compared to net income and total comprehensive income of $1,006,514, or diluted net income per share of $0.10 in 2014. The decrease in net income is due primarily to the severance charge of $581,186 from the retirement of the Corporation's former Chief Executive Officer.

We expect our net operating results to increase significantly in 2016 as compared to 2015, due primarily to an increase in anticipated orders from customers other than affiliates of FAS, and lower administrative expenses.

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, 2015 and 2014. 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.

CONSOLIDATED	Q1-14 31-Dec-13	Q2-14 31-Mar-14	Q3-14 30-Jun-14	Q4-14 30-Sep-14	Q1-15 31-Dec-14	Q2-15 31-Mar-15	Q3-15 30-Jun-15	**Q4-15 30-Sep-15**
Sales	$ 2,940,536	$ 3,370,388	$ 4,449,842	$ 5,777,206	$ 4,349,720	$ 3,198,377	$ 4,410,462	**$ 5,244,429**
Cost of sales	1,821,670	1,838,933	2,764,902	3,753,472	2,541,972	1,911,898	2,973,826	**3,448,630**
Gross profit	1,118,866	1,531,455	1,684,940	2,023,734	1,807,748	1,286,479	1,436,636	**1,795,799**
Selling and administrative expenses	1,074,355	1,272,585	1,119,544	1,332,559	1,308,498	1,235,993	1,445,286	**1,891,170**
Foreign exchange loss (gain)	(73,207)	1,280	79,930	(47,228)	(30,129)	(190,275)	(12,099)	**(353,522)**
Finance costs	78,210	41,641	45,666	60,735	227,929	63,436	48,699	**(20,005)**
Income taxes	15,296	56,849	115,630	178,636	81,141	46,847	4,884	**61,747**
Net income (loss)	$ 24,212	$ 159,100	$ 324,170	$ 499,032	$ 220,309	$ 130,478	$ (50,134)	**$ 216,409**
Basic and diluted net income (loss) per share	$ 0.00	$ 0.02	$ 0.03	$ 0.05	$ 0.01	$ 0.01	$ (0.00)	**$ 0.01**

MANUFACTURING	Q1-14 31-Dec-13	Q2-14 31-Mar-14	Q3-14 30-Jun-14	Q4-14 30-Sep-14	Q1-15 31-Dec-14	Q2-15 31-Mar-15	Q3-15 30-Jun-15	**Q4-15 30-Sep-15**
Sales	$ 2,605,694	$ 2,964,634	$ 4,188,700	$ 5,555,143	$ 4,022,711	$ 2,816,501	$ 4,162,310	**$ 4,949,115**
Cost of sales	1,605,699	1,637,609	2,605,953	3,612,897	2,330,379	1,713,213	2,797,426	**3,291,253**
Gross profit	999,995	1,327,025	1,582,747	1,942,246	1,692,332	1,103,288	1,364,884	**1,657,862**
Selling and administrative expenses	932,151	1,126,327	975,906	1,181,034	1,159,772	1,094,054	1,298,976	**1,739,126**
Foreign exchange loss (gain)	(73,207)	1,280	79,930	(47,228)	(30,129)	(190,275)	(12,099)	**(353,522)**
Finance costs	78,194	41,641	45,666	60,735	227,929	63,436	48,699	**(20,005)**
Income taxes	17,319	41,727	126,405	196,844	89,790	36,115	23,872	**64,619**
Net income	$ 45,538	$ 116,050	$ 354,840	$ 550,861	$ 244,970	$ 99,958	$ 5,436	**$ 227,644**

FEC	Q1-14 31-Dec-13	Q2-14 31-Mar-14	Q3-14 30-Jun-14	Q4-14 30-Sep-14	Q1-15 31-Dec-14	Q2-15 31-Mar-15	Q3-15 30-Jun-15	**Q4-15 30-Sep-15**
Sales	$ 334,842	$ 405,754	$ 261,142	$ 222,063	$ 327,009	$ 381,876	$ 248,152	**$ 295,314**
Cost of sales	215,971	201,324	158,949	140,575	211,593	198,685	176,400	**157,377**
Gross profit	118,871	204,430	102,193	81,488	115,416	183,191	71,752	**137,937**
Selling and administrative expenses	142,204	146,258	143,638	151,525	148,726	141,939	146,310	**152,044**
Finance costs	16	-	-	-	-	-	-	**-**
Income taxes	(2,023)	15,122	(10,775)	(18,208)	(8,649)	10,732	(18,988)	**(2,872)**
Net income (loss)	$ (21,326)	$ 43,050	$ (30,670)	$ (51,829)	$ (24,661)	$ 30,520	$ (55,570)	**$ (11,235)**

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 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.

- The decrease in net operating results from Q4-14 to Q1-15 is due primarily to lower sales in Q1-15 compared to Q4-14.
- The decrease in net operating results from Q1-15 to Q2-15 is due primarily to lower sales in Q2-15 compared to Q1-15.
- The decrease in net operating results from Q2-15 to Q3-15 is due primarily to higher administrative expenses in Q3-15 compared to Q2-15.
- The increase in net operating results from Q3-15 to Q4-15 is due primarily to higher sales in Q4-15 compared to Q3-15.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities amounted to $1,859,780 in Q4-15 as compared to cash used in operating activities of $1,476,145 in Q4-14. This change is due primarily to cash received from finance receivables in Q4-15.

Cash used in operating activities amounted to $1,210,309 in 2015, compared to cash provided by operating activities of $1,283,687 in 2014. This change is due primarily to the increase in trade receivables, partially offset by the collection of finance receivables in 2015.

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 increased to $158,632 in Q4-15 from $153,176 in Q4-14 due to an increase in purchases of equipment in Q4-15 as compared to Q4-14.

Cash used in investing activities increased to $454,286 in 2015 from $281,135 in 2014 due to an increase in purchases of equipment in 2015 as compared to 2014.

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 2016.

Financing Activities

Cash used in financing activities amounted to $2,805,971 in Q4-15 as compared to cash provided by financing activities of $1,812,341 in Q4-14. This change is due primarily to the repayment of securitization debt in Q4-15.

Cash provided by financing activities amounted to $4,430,901 in 2015 as compared to cash used by financing activities of $635,059 in 2014. This change is due primarily to the proceeds from share issuance, partially offset by the repayment of securitization debt in 2015.

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

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, repaying our operating loans, and funding our capital expenditures. We expect our working capital requirements to continue to increase due to the anticipated increase in sales orders from related parties ACCL and RGA for the expansion of the Billy Beez® family entertainment centres.

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

Sources and Uses of Cash

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

- Cash and cash equivalents of $4,947,024 at September 30, 2015 (September 30, 2014 – $2,090,251).
- Trade and other receivables of $6,873,151 at September 30, 2015 (September 30, 2014 – $2,674,568).

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, and shareholders' equity.

The Corporation funds its working capital requirements in part with cash and cash equivalents, and an available Overdraft Facility of $600,000, an Operating Loan Facility of U.S. $2,500,000 ($3,348,000 in Canadian dollars), and a Securitization Facility of U.S. $7,920,000 ($10,608,000 in Canadian dollars), which are 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.

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, 2015, all financial ratios and tests have been met.

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

Credit Facilities

The Corporation has the following credit facilities (the "Credit Facilities") with 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. $2,500,000 ($3,348,000 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. $7,920,000 ($10,608,000 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 $8,000,000, 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 $8,000,000, with a maximum maturity of 12 months. We use this facility to manage our currency risk resulting from fluctuations in foreign exchange rates between primarily the U.S. dollar and the Canadian dollar.

At September 30, 2015 and September 30, 2014, 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 a large Canadian financial institution with a high investment grade rating.

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 related parties ACCL and RGA represent approximately 90% of the balance of trade receivables at September 30, 2015 (September 30, 2014 – three customers representing approximately 74%). 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 and securitization debt, which are subject to variable interest rates. At September 30, 2015, the Corporation had no fixed or variable interest rate obligations outstanding.

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 due primarily to personal injury claims from the use of play structure equipment we have supplied to various family entertainment centres. We carry commercial general liability insurance and believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

Related Party Transactions

During the three months ended September 30, 2015 and 2014, the Corporation recorded sales of U.S. $2,306,619 ($3,016,456 in Canadian dollars) and U.S. $1,918,990 ($2,103,109 in Canadian dollars), respectively, to related parties ACCL and RGA. During the years ended September 30, 2015 and 2014, the Corporation recorded sales of U.S. $6,467,352 ($8,010,735 in Canadian dollars) and U.S. $4,195,378 ($4,581,629 in Canadian dollars), respectively, to related parties ACCL and RGA. At September 30, 2015 and September 30, 2014, the Corporation's trade receivables include U.S. $4,641,192 ($6,216,413 in Canadian dollars) and U.S. $1,111,832 ($1,246,141 in Canadian dollars), respectively, due from related parties ACCL and RGA.

During the three months ended September 30, 2015 and 2014, the Corporation purchased raw material inventories of U.S. $75,189 ($106,788 in Canadian dollars) and U.S. $189,366 ($206,530 in Canadian dollars), respectively, from an entity controlled by a party related to the President & Chief Executive Officer of the Corporation (the "Related Entity"). During the years ended September 30, 2015 and 2014, the Corporation purchased raw material inventories of U.S. $686,584 ($837,602 in Canadian dollars) and U.S. $633,049 ($687,737 in Canadian dollars), respectively, from the Related Entity. At September 30, 2015 and September 30, 2014, the Corporation's trade payables and accrued charges include U.S. Nil (Nil in Canadian dollars) and U.S. $42,520 ($47,656 in Canadian dollars), respectively, payable to the Related Entity for the purchase of raw material inventories. At September 30, 2015 and September 30, 2014, the Corporation's prepaid expenses and deposits include U.S. $331,697 ($406,986 in Canadian dollars) and U.S. $159,774 ($173,713 in Canadian dollars), respectively, on deposit with the Related Entity for the purchase of raw material inventories.

On August 11, 2015, the Corporation announced the appointment of Scott Forbes as President & Chief Executive Officer of the Corporation. Mr. Forbes replaced Franco Aquila who retired from his position as Chief Executive Officer of the Corporation. On September 24, 2015, Mr. Aquila received a severance payment of $581,186 from the Corporation.

Outstanding Share Capital

At September 30, 2015 and December 2, 2015, the Corporation has 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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