



IMPERIAL EQUITIES INC.

To the Shareholders of
Imperial Equities Inc.

Management has reviewed and prepared the consolidated balance sheets of Imperial Equities Inc. as at December 31, 2008 and the consolidated statements of earnings and comprehensive income and retained earnings and consolidated statements of cash flows for the quarter then ended. Our auditors Grant Thornton LLP, have not reviewed these interim financial statements. These financial statements are accompanied by the required Certification of the Company's Chief Financial Officer and Chief Executive Officer.

Management
Imperial Equities Inc.
February 27, 2009

Imperial Equities Inc.
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
AND RETAINED EARNINGS

Three Months Ended December 31,

	2008	2007
	\$	\$
Revenue		
Rental revenue	956,056	588,687
Operating cost recoveries	203,940	143,575
Sales of pharmaceuticals	3,146,282	2,653,521
Interest	414	13,971
	4,306,692	3,399,754
Expenses		
Property operations	204,137	160,437
Cost of sales of pharmaceuticals	2,956,691	2,476,769
Interest on mortgages, debentures and other financing	331,764	218,006
Amortization of revenue producing properties	249,610	145,633
Amortization of deferred leasing costs	32,335	23,006
Amortization of intangibles	14,480	14,480
Amortization of capital assets	12,091	11,880
Selling and administrative	285,339	252,381
Professional fees	1,701	6,721
Shareholder communications	905	997
	4,089,053	3,310,310
Earnings before income taxes	217,639	89,444
Income taxes (recovery)		
Current income tax	(64,996)	57,039
Future income tax	86,934	(7,601)
	21,938	49,438
Net earnings and comprehensive income	195,701	40,006
Retained earnings, beginning of year	4,301,885	4,344,742
Net earnings and comprehensive income	195,701	40,006
Premium on shares cancelled	-	-
Retained earnings, end of year	4,497,586	4,384,748
Earnings per share - basic	.02	.00
Earnings per share - diluted	.02	.00

See accompanying notes to the consolidated financial statements

Imperial Equities Inc.
CONSOLIDATED BALANCE SHEETS

	December 31, 2008 \$ (unaudited)	September 30, 2008 \$ (audited)
Assets		
Current		
Cash	160,855	647,130
Receivables	2,465,822	2,272,531
Inventory	2,651,368	2,761,061
Prepaid expenses and deposits	72,275	186,671
Income taxes receivable	357,269	357,269
Future income taxes	5,993	5,993
	5,713,582	6,230,655
Future rent receivable	307,078	279,608
Deferred leasing costs	767,635	799,970
Revenue producing properties	26,646,390	26,562,716
Land held for development	446,448	446,448
Capital assets	194,802	203,993
Intangible assets	411,952	426,432
Future income taxes	453,990	539,480
	34,941,877	35,489,302
Liabilities		
Current		
Bank indebtedness (Note 3)	2,263,450	1,666,098
Payables and accruals	532,895	1,396,218
Other financing	1,500,000	1,500,000
Debentures	330,000	330,000
Current portion of mortgages (Note 4)	3,714,346	3,795,996
	8,340,691	8,688,312
Security deposits	126,336	128,160
Mortgages (Note 4)	17,141,489	17,380,149
Future income taxes	895,554	959,106
	26,504,070	27,155,727
Shareholders' equity		
Share capital (Note 5)	4,044,086	4,044,086
Contributed surplus	85,720	85,720
Repurchased shares for cancellation (Note 5)	(189,586)	(98,116)
Retained earnings	4,497,586	4,301,885
	8,437,806	8,333,575
	34,941,877	35,489,302

See accompanying notes to the consolidated financial statements

On Behalf of the Board

Signed "Sine Chadi"
Director

Signed "Kevin Lynch"
Director

Imperial Equities Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended December 31,	2008	2007
	\$	\$
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings and comprehensive income	195,701	40,006
Amortization of revenue producing properties	249,610	145,633
Amortization of intangibles	14,480	14,480
Amortization of capital assets	12,091	11,880
Amortization of deferred leasing costs	32,335	23,006
Expenditures on deferred leasing costs	-	-
Future income tax (recovery)	86,934	(7,601)
Funds from operations	591,151	227,404
Change in non-cash operating balances	(926,816)	(1,613,040)
	(335,665)	(1,385,636)
Financing		
Mortgage proceeds	-	-
Repayment of mortgages	(320,309)	(217,366)
Advances from other financing	-	500,000
Repayment of other financing	-	-
Purchase of common shares for cancellation	(91,470)	-
Advances on operating lines of credit	597,352	1,236,323
	185,573	1,518,957
Investing		
Restricted cash	-	(6,410)
Purchase of revenue producing properties	-	-
Additions to land held for development	-	-
Additions to property under development	-	(1,167,280)
Additions to capital assets	(2,900)	(10,280)
Property improvements	(333,283)	-
	(336,183)	(1,183,970)
Net decrease in cash	(486,275)	(1,050,649)
Cash, beginning of year	647,130	1,481,590
Cash, end of period	160,855	430,941

See accompanying notes to the consolidated financial statements

1. Nature of operations

Based in Edmonton, Alberta, Imperial Equities Inc.'s major operations consist of development and redevelopment of commercial and industrial properties in the Edmonton area and the sale and distribution of pharmaceuticals. The Company's common shares trade on the TSX Venture Exchange (TSXV) under the symbol "IEI".

2. Summary of significant accounting policies

Basis of presentation

The unaudited interim consolidated financial statements of the Company and its wholly owned subsidiary, Imperial Distributors Canada Inc., are prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements. All inter-company transactions and balances have been eliminated. The disclosures contained in these unaudited consolidated financial statements do not include all of the requirements of Canadian generally accepted accounting principles for annual financial statements. These unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the most recent audited financial statements.

The interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ending September 30, 2008.

Changes in accounting policies

Effective October 1, 2008 the company has adopted the new Canadian standard, Handbook Section 3064, *Goodwill and Intangible Assets* which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this section does not have an impact on the Company's financial position or results of operations.

Effective October 1, 2008 the company has adopted the new Canadian standard, Handbook Section 1400, *General Standards of Financial Statement Presentation* which was amended to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. When preparing financial statements, management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The adoption of this section does not have an impact on the Company's financial position or results of operations.

Future accounting pronouncements

Convergence with International Financial Reporting Standards

In February of 2008 the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for year ends beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting IFRS on its consolidated financial statements.

3. Bank indebtedness

	2008	2008
	December 31,	September 30,
<i>Operating lines of credit</i>		
Imperial Equities Inc.	\$ 1,591,229	\$ 1,610,450
Imperial Distributors Canada Inc.	672,221	55,648
	\$ 2,263,450	\$ 1,666,098

Imperial Equities Inc. has an operating line of credit for general business purposes with a limit of \$2,000,000. The line of credit bears interest at prime plus 1.0% and is secured by two specific revenue producing properties with a net book value of \$3,305,127.

Imperial Distributors Canada Inc. has an operating line of credit with a limit of \$1,500,000. This loan bears interest at prime plus 1.75% and is secured by a general security agreement, a general assignment of book debt and inventory, as well as a corporate guarantee provided by Imperial Equities Inc. in the amount of \$1,500,000.

4. Mortgages

Maturity Date	Rate	Monthly Payments	Balance Dec. 31 2008	Balance Sep. 30 2008	NBV of the Underlying Security	Lender
May 1, 2009	6.19%	\$ 8,277	\$ 566,818	\$ 582,824	\$ 1,766,006	CWB
Nov 1, 2010	4.71%	14,695	1,609,731	1,634,849	2,956,484	CIBC
May 1, 2009	6.19%	25,634	940,772	1,002,669	1,539,122	CWB
Jan 1, 2012	4.94%	8,636	1,000,066	1,013,637	706,015	CIBC
Nov 1, 2011	4.97%	12,704	1,461,915	1,481,883	772,972	Manulife
Apr 1, 2012	5.20%	15,169	1,753,670	1,776,425	1,517,220	CIBC
Sep 1, 2012	5.81%	12,449	1,418,205	1,435,036	1,021,486	Manulife
Sep 1, 2009	5.78%	13,202	1,270,434	1,291,696	1,927,730	Mfr. Life
Aug 1, 2010	4.40%	17,810	1,951,627	1,983,550	2,679,231	CIBC
Oct 1, 2013	5.385%	12,117	1,489,055	1,500,000	2,631,385	RBC
Aug 1, 2013	5.782%	62,134	7,393,544	7,473,576	9,128,739	CIBC
			\$ 20,855,835	\$ 21,176,145	\$ 26,646,390	
Less current portion:			(3,714,346)	(3,795,996)		
			\$ 17,141,489	\$ 17,380,149		

The above mortgages are repayable in blended monthly payments of interest and principal. The scheduled amount of principal repayments in each of the next five years is as follows:

2009	\$ 3,714,346
2010	4,067,498
2011	1,984,348
2012	3,949,544
2013	7,140,099
	\$ 20,855,835

The security pledged for each mortgage is limited to that mortgage. The President of the Company has personally guaranteed two of the mortgages with a combined principal balance at December 31, 2008 of

4. Mortgages (cont'd)

\$1,507,590. No fees were paid, or will be paid for the guarantees.

5. Share capital

a) Authorized:

Unlimited number of common shares

b) Issued and outstanding

2008	Number of shares	Cost
Balance at September 30, 2008	9,206,342	\$ 4,044,086
Shares cancelled during the period	-	-
Balance at December 31, 2008	9,206,342	\$ 4,044,086

c) Repurchased shares for cancellation

The Company received approval from the TSX Venture Exchange to purchase up to 455,317 common shares representing 5% of the outstanding shares under a normal course issuer bid, expiring June 15, 2009. At September 30, 2008 the Company had purchased 48,400 shares for total cash consideration of \$98,116. During the first quarter the Company purchased an additional 45,500 shares for total cash consideration of \$91,470. Of the total 93,900 shares repurchased, all are carried at cost and shown as a deduction from shareholders' equity until such time that they are cancelled.

6. Related party transactions

Related party transactions are as follows:

	2008	2007
Paid to companies owned or controlled by a director, majority shareholder and officer		
Property management and operations	\$ 59,478	\$ 42,356
Leasehold improvements contracts	40,553	-
Leasing and real estate commissions	-	-
Marketing and consulting fees	18,095	19,800
	\$ 118,126	\$ 62,156

Property management and operations expenditures were paid to a company owned 100% by a director, majority shareholder and officer and include building and ground maintenance, collection of rents and accounting. Also included are labour costs associated with tenant improvements. These amounts are recoverable from the tenants, under the terms of the related lease agreements.

6. Related party transactions (cont'd)

Leasehold improvement contracts were paid to a company owned 100% by a director, majority shareholder and officer and are recoverable from the tenants under the terms of the related lease agreements. Marketing and consulting fees were paid to this same company.

The above transactions took place at amounts which in management's opinion approximate normal commercial rates and terms and occurred in the normal course of operations. The transactions have been recorded at the exchange amount. The above noted fees are for services that would not otherwise be provided by employees of the Company.

	2008	2007
Other financing from a company which is owned by a member of the immediate family of a director and significant shareholder		
Balance payable, beginning of year	\$ 1,500,000	\$ 1,500,000
Advances to Imperial Equities Inc.	-	-
Repayments of advances	-	-
Balance payable, end of year	\$ 1,500,000	\$ 1,500,000
Interest paid on advances	\$ 30,000	\$ 30,000

Advances to the Company are used for interim financing and are measured at amortized cost. The advances are unsecured with no set terms of repayment and bear interest at a rate of 8% per annum, which is the rate that was negotiated by the parties in the normal course of operations. The above transactions have been recorded at the exchange amount. Advances are repaid with interest when the Company no longer requires the funds.

Paid to directors

Directors' fees	\$ 2,000	\$ -
	\$ 2,000	\$ -

Directors are paid a fee for attending directors' meetings. The fees are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations.

Paid to a partnership of which a director is a partner

Legal fees	\$ 8,987	\$ 1,608
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Legal fees paid were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

7. Segmented Information

The Company operates in two key business segments; real estate and pharmaceutical sales. Operating segments are determined based on the different types of business activities and the different economic environments they operate in. There are no intercompany sales or transfers. All of the Company's sales are within Canada.

December 31,	Pharmaceuticals		Real Estate		Consolidated	
	Current Year (3 months)	Prior Year (3 months)	Current Year (3 months)	Prior Year (3 months)	Current Year (3 months)	Prior Year (3 months)
Revenue	\$ 3,146,696	\$ 2,654,211	\$ 1,159,996	\$ 745,542	\$ 4,306,692	\$ 3,399,754
Property operations	-	-	204,137	160,437	204,137	160,437
Cost of sales of pharmaceuticals	2,956,691	2,476,769	-	-	2,956,691	2,476,769
Interest on mortgages, debentures and other financing	3,141	14,002	328,623	204,003	331,764	218,006
Amortization	26,571	26,360	281,945	168,639	308,516	194,999
Selling and administrative	186,479	162,396	32,390	23,003	218,870	185,400
Segment (loss) earnings from operations	(26,186)	(25,316)	312,901	189,460	286,715	164,143
General corporate expenses	-	-	-	-	69,075	74,699
Income tax (recovery) expense	(11,664)	(9,434)	33,603	58,871	21,939	49,438
Net (loss) earnings and comp. income	\$ (14,522)	\$ (15,882)	\$ 279,298	\$ 130,589	\$ 195,701	\$ 40,006
Identifiable segment assets	\$ 6,152,324	\$ 6,774,905	\$ 28,789,552	\$ 20,849,293	\$34,941,877	\$27,624,198
Expenditures for segment capital assets, property under development, and revenue producing property	\$ 2,900	\$ 10,280	\$ 333,283	\$ 1,167,280	\$ 336,183	\$ 1,177,560

Imperial Equities Inc.
Notes to the Consolidated Interim Financial Statements
December 31, 2008
