

Auditors' Report

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To the Shareholders of
Imperial Equities Inc.

We have audited the consolidated balance sheets of Imperial Equities Inc. as at September 30, 2009 and 2008 and the consolidated statements of earnings (loss) and comprehensive income (loss) and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Canada

December 17, 2009



Chartered Accountants

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

Year Ended September 30,

	2009	2008
	\$	\$
Revenue		
Rental revenue	3,881,647	2,648,967
Operating cost recoveries	945,774	700,195
Sales of pharmaceuticals	12,853,537	10,450,210
Interest	(9,051)	20,702
	17,671,907	13,820,074
Expenses		
Property operations	1,149,422	793,485
Cost of sales of pharmaceuticals	11,985,822	9,810,143
Interest on mortgages, debentures and other financing	1,274,515	985,574
Amortization of revenue producing properties	1,058,146	676,764
Amortization of deferred leasing costs	144,636	135,333
Amortization of intangibles	71,767	72,133
Amortization of capital assets	36,944	43,976
Selling and administrative	1,290,416	1,288,388
Stock compensation (Note 14)	-	31,720
Professional fees	86,686	133,955
Shareholder communications	30,763	26,729
	17,129,117	13,998,200
Earnings (loss) before income taxes	542,790	(178,126)
Income taxes (recovery) (Note 12)		
Current income tax	141,250	(298,753)
Future income tax	40,007	163,484
	181,257	(135,269)
Net earnings (loss) and comprehensive income (loss)	361,533	(42,857)
Retained earnings, beginning of year	4,301,885	4,344,742
Net earnings (loss)	361,533	(42,857)
Premium on shares cancelled (Note 13)	(162,023)	-
Retained earnings, end of year	4,501,395	4,301,885
Earnings (loss) per share - basic (Note 16)	.04	(.01)
Earnings (loss) per share - diluted (Note 16)	.04	(.01)

See accompanying notes to the consolidated financial statements

Imperial Equities Inc.
CONSOLIDATED BALANCE SHEETS

September 30,	2009	2008
	\$	\$
Assets		
Current		
Cash	195,656	647,130
Receivables	2,797,634	2,272,531
Inventory	2,328,738	2,761,061
Prepaid expenses and deposits	204,277	186,671
Income taxes receivable	-	357,269
Future income taxes (Note 12)	-	5,993
	5,526,305	6,230,655
Future rent receivable	337,839	279,608
Deferred leasing costs (Note 5)	684,778	799,970
Revenue producing properties (Note 3)	26,016,438	26,562,716
Land held for development (Note 4)	485,927	446,448
Capital assets (Note 6)	117,094	141,091
Intangible assets (Note 7)	427,067	489,334
Future income taxes (Note 12)	451,719	539,480
	34,047,167	35,489,302
Liabilities		
Current		
Bank indebtedness (Note 8)	3,245,111	1,666,098
Payables and accruals	840,329	1,396,218
Income taxes payable	110,175	-
Other financing (Note 11)	1,500,000	1,500,000
Debentures (Note 10)	150,000	330,000
Current portion of mortgages (Note 9)	2,788,393	3,795,996
	8,634,008	8,688,312
Security deposits	133,857	128,160
Mortgages (Note 9)	15,796,554	17,380,149
Future income taxes (Note 12)	905,359	959,106
	25,469,778	27,155,727
Shareholders' equity		
Share capital (Note 13)	3,997,924	4,044,086
Contributed surplus (Note 15)	85,720	85,720
Repurchased shares for cancellation (Note 13)	(7,650)	(98,116)
Retained earnings	4,501,395	4,301,885
	8,577,389	8,333,575
	34,047,167	35,489,302

See accompanying notes to the consolidated financial statements

Commitments (Note 21)

Contingencies (Note 22)

On Behalf of the Board

Sine Chadi
Director

Kevin Lynch
Director

Imperial Equities Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended September 30,	2009	2008
	\$	\$
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings (loss)	361,533	(42,857)
Amortization of revenue producing properties	1,058,146	676,764
Amortization of intangibles	71,767	72,133
Amortization of capital assets	36,944	43,976
Amortization of deferred leasing costs	144,636	135,333
Expenditures on deferred leasing costs	(29,444)	(401,502)
Stock compensation	-	31,720
Future income tax	40,007	163,484
Funds from operations	1,683,589	679,051
Change in non-cash operating balances <i>(Note 19)</i>	(251,364)	(1,351,274)
	1,432,225	(672,223)
Financing		
Mortgage proceeds	-	9,000,000
Repayment of mortgages	(2,591,197)	(913,636)
Advances from other financing	-	2,950,000
Repayment of other financing	-	(2,950,000)
Repayment of debentures	(180,000)	-
Purchase of common shares for cancellation	(117,720)	(98,117)
Proceeds from options exercised	-	100,000
Advances on operating line of credit	1,579,013	898,125
	(1,309,904)	8,986,372
Investing		
Restricted cash	-	515,268
Purchase of revenue producing properties	-	(8,136,194)
Additions to land held for development	(39,479)	(32,248)
Additions to capital assets	(12,948)	(35,295)
Additions to intangible assets	(9,500)	(18,155)
Property improvements	(511,868)	(1,441,985)
	(573,795)	(9,148,609)
Net decrease in cash	(451,474)	(834,460)
Cash, beginning of year	647,130	1,481,590
Cash, end of year	195,656	647,130

See accompanying notes to the consolidated financial statements
Supplemental consolidated cash flow information *(Note 19)*

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 Alberta 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 consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized below. The consolidated financial statements include the assets, liabilities and results of operations of the Company and its wholly-owned subsidiary, Imperial Distributors Canada Inc ("IDCI"). All inter-company transactions and balances have been eliminated.

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. As a result of the adoption of this new section the Company has retrospectively reclassified its software with net book value of \$62,902 from capital assets to intangible assets for year ended September 30, 2008.

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

In June 2009 the CICA has amended Section 3862, *Financial Instruments - Disclosures* to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. Early adoption is permitted. The Company does not anticipate any changes to the financial statements other than additional disclosures.

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. As the Company will be required to report its results in accordance with IFRS starting in 2012, the Company is assessing the potential impacts of this changeover and developing its plans accordingly.

2. Summary of significant accounting policies (cont'd)

In January 2009, the CICA issued Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. These new standards are harmonized with IFRS. Section 1582 specified a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interest at fair value and a requirement to recognize acquisition related costs as expenses. Section 1602 establishes the standards of preparing consolidated financial statements. Section 1602 specifies that non-controlling interest be treated as a separate component of equity, not as a liability or other item of equity. The new standards become effective in 2011. Early adoption is permitted. This new section will only have an impact on the Company's consolidated financial statements for future acquisitions that may be made in periods subsequent to the date of adoption.

The Company has completed the preliminary diagnostic phase, having reviewed the major differences between Canadian GAAP and IFRS. The IFRS assessment on reporting results is being overseen by the Company's Chief Financial Officer. The Company will address the design and planning, solution development and implementation of the project in the subsequent phases.

Use of estimates and measurement uncertainty

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Significant estimates included in these consolidated financial statements relate to the valuation of receivables, the useful lives of the revenue producing properties, impairment testing requiring an estimate of the fair value of intangible assets, valuation of inventory and capital assets, stock-based compensation and the valuation of future income tax assets. Actual results could differ from these estimates.

Financial instruments

The Company has classified cash and cash equivalents as held for trading measured at fair value. Receivables are classified as loans and receivables and are measured at their amortized cost using the effective interest method. Bank indebtedness, payables, other financing, debentures, mortgages and security deposits are classified as other financial liabilities and measured at amortized cost using the effective interest method.

The Company is required to present OCI and its components as well as the components of accumulated OCI in its consolidated financial statements. As of September 30, 2009 and 2008, the Company had no OCI or accumulated OCI. Qualitative and quantitative disclosures are provided in Note 23 to enable users to evaluate the nature and extent of risks arising from the Company's financial instruments.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss will be recognized in the period when the carrying amount of the long-lived asset exceeds the sum of undiscounted cash flows from the expected use and eventual disposal of the asset. If impairment is indicated, the asset or asset group would then be written down to its fair value. Fair value is determined using the discounted, estimated future cash flows attributable to the use and eventual disposal of the long-lived asset.

2. Summary of significant accounting policies (cont'd)

Revenue producing properties

Revenue producing properties which are held as ongoing investments are stated at cost less accumulated amortization. Cost includes all expenditures incurred in connection with the acquisition of revenue producing properties including all direct costs. Major capital improvements and replacements are capitalized and amortized over terms appropriate to the expenditure to the extent that management has determined they are a betterment to the property with the disposed estimated cost and accumulated amortization of the previous related components being removed. An impairment loss is required to be recognized when the carrying amount exceeds the sum of the undiscounted cash flows expected from the property's use and disposal. An impairment loss is measured as the amount by which the carrying amount of the revenue producing property exceeds its fair value.

Amortization has been recorded in the accounts using the following annual rates and method:

Buildings	4%, declining balance
Parking lots	8%, declining balance
Fencing	10% declining balance
Equipment and signage	20%, declining balance
Tenant improvements	20%, declining balance

Capital assets

Capital assets are used in the operations of the pharmaceutical segment. Amortization has been recorded in the accounts using the following annual rates.

Furniture and fixtures	20%, declining balance
Computers	45%, declining balance
Computers purchased after 2008	55%, declining balance
Vault and cage	20%, declining balance
Vehicle	30%, declining balance
Leaseholds	20%, declining balance

Land held for development

Land held for development is recorded at cost. Costs capitalized to land held for development include all direct costs relating to the project, land acquisition costs and carrying costs which include property taxes.

Deferred leasing costs

Deferred leasing costs relate to leasing commissions to agents incurred in securing leases for real estate properties. These costs are deferred and amortized over the respective lease terms from five to ten years.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with original maturities of three months or less. As at September 30, 2009, the Company held only balances with banks. Bank indebtedness, mortgages, debentures and other financing are considered to be financing activities.

2. Summary of significant accounting policies (cont'd)

Inventory

Inventory in the Company consists of pharmaceutical products and is valued at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price less estimated selling costs. Cost is determined using the weighted average cost method and is the price paid for the products less any allowances received from generic drug suppliers. Allowances are shown as a reduction to inventory and recognized in income when the products are sold. Inventory is reviewed for obsolescence on an item by item basis. Inventory that has less than 90 days to expiry is returned to the manufacturer for replacement. In practice, and based on historical experience the manufacturer will replace the goods returned; however there are no guarantees or legal obligations of the manufacturer to accept returns.

There were no inventory write downs in fiscal 2008 or 2009 to net realizable value as a result of situations where the cost of inventory is not estimated to be recoverable due to obsolescence, damage or declining selling prices.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization.

Intangible assets acquired in the business acquisition of the pharmaceutical segment consist of operating licenses acquired through Health Canada. The Company determines the estimated useful life of the intangible asset based on a number of factors, including the going concern of the subsidiary company taking into consideration the competition, any regulatory or contractual limitations, known technological impairments to continuing business and any other known growth inhibitors. A significant change in any of these factors could require a revision of the expected useful life of the intangible asset, which could have a material effect on the Company's results of operations through an increase in amortization. Amortization is currently recorded in the accounts using the straight-line method. As at September 30, 2009 it is estimated there are seven years remaining in the useful life of the asset.

Other intangible assets include software for the pharmaceutical segment. Amortization of the software is recorded using a 20% declining balance method.

Income taxes

Under the asset and liability method of accounting for income taxes, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities calculated using substantively enacted tax rates anticipated to apply in the period that the temporary differences are expected to reverse. Future income tax assets including those arising from loss carry forwards are assessed to determine if they are more likely than not to be realized in future periods before the future income tax asset is recognized.

Revenue recognition

As the Company retains substantially all the benefits and risks of ownership of its revenue producing properties, it accounts for leases with tenants as operating leases. Rental revenue from leases, including minimum rent, recoveries of operating expenses and property taxes and other sundry revenue is recognized as income over the term of the lease. Minimum rental revenue is recorded for the term of each lease on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

Revenue recognition (cont'd)

A receivable is recorded from tenants for the current difference between the straight-line rent and the rent that is due from the tenants under their current obligations. Revenue from the sale of revenue producing properties is recognized once all significant conditions have been met and the collection of the sale proceeds is reasonably assured.

Revenue from the sale of pharmaceuticals is recognized when the product is shipped and there is reasonable assurance regarding collectability. Revenues are recorded using the gross revenue method which is the amount charged to customers net of rebates, discounts and sales returns by customers. Any allowances received from generic manufacturers for distributing the product is recorded in income when the product is sold.

Earnings per share

The computation of basic earnings per share has been calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that would occur if stock options were exercised. The Company uses the "treasury method" for outstanding options which assumes that all outstanding stock options with an exercise price below the average market price are exercised and assumed proceeds are used to purchase the Company's common shares at the average market price during the reporting period.

Stock based compensation

The Company has a stock option plan, which is described in Note 14. The Company follows the fair value method of accounting for all stock options granted. Under this method, compensation expense for stock options is measured at fair value at the grant date using the Black-Scholes option pricing model and recognized as compensation expense as awards vest, with offsetting amounts recognized as contributed surplus. When the options are exercised, the proceeds received by the Company, together with the related amount in contributed surplus are added to share capital. Forfeited or expired options are put back into the pool of available stock options for future grants.

3. Revenue producing properties

2009	Cost	Accumulated Amortization	Net Book Value
Land	\$ 8,059,219	\$ -	\$ 8,059,219
Buildings	18,540,144	3,044,052	15,496,092
Parking lots	1,329,182	253,643	1,075,539
Equipment and signage	189,335	111,513	77,822
Fencing	29,072	2,766	26,306
Tenant improvements	2,114,066	832,606	1,281,460
	\$ 30,261,018	\$ 4,244,580	\$ 26,016,438

3. Revenue producing properties (cont'd)

2008	Cost	Accumulated Amortization	Net Book Value
Land	\$ 7,991,448	\$ -	\$ 7,991,448
Buildings	18,540,144	2,398,382	16,141,762
Parking lots	1,262,494	163,984	1,098,510
Equipment and signage	189,973	107,054	82,919
Fencing	18,851	470	18,381
Tenant improvements	1,758,744	529,048	1,229,696
	\$ 29,761,654	\$ 3,198,938	\$ 26,562,716

4. Land held for development

Land held for development in the west end of Edmonton totals 6.43 acres. Carrying costs on the land include property taxes of \$39,479 (2008 - \$32,248) which are capitalized until the land becomes a revenue producing property.

5. Deferred leasing costs

	Cost	Accumulated Amortization	Net Book Value
2009 Leasing costs	\$ 1,086,622	\$ 401,844	\$ 684,778
2008 Leasing costs	\$ 1,057,178	\$ 257,208	\$ 799,970

6. Capital assets

2009	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 84,640	\$ 36,220	\$ 48,420
Computers	56,094	43,208	12,886
Vault and cage	67,204	39,647	27,557
Vehicle	20,340	14,410	5,930
Leaseholds	54,214	31,913	22,301
	\$ 282,492	\$ 165,398	\$ 117,094

2008	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 74,743	\$ 25,633	\$ 49,110
Computers	53,043	31,857	21,186
Vault and cage	67,204	32,757	34,447
Vehicle	20,340	11,868	8,472
Leaseholds	54,214	26,338	27,876
	\$ 269,544	\$ 128,453	\$ 141,091

7. Intangible assets

		Cost	Accumulated Amortization	Net Book Value
2009	Licenses	\$ 579,197	\$ 210,685	\$ 368,512
	Software	102,741	44,186	58,555
		\$ 681,938	\$ 254,871	\$ 427,067
2008	Licenses	\$ 579,197	\$ 152,765	\$ 426,432
	Software	93,241	30,339	62,902
		\$ 672,438	\$ 183,104	\$ 489,334

8. Bank indebtedness

	2009	2008
<i>Operating lines of credit</i>		
Imperial Equities Inc.	\$ 2,844,685	\$ 1,610,450
Imperial Distributors Canada Inc.	400,426	55,648
	\$ 3,245,111	\$ 1,666,098

Imperial Equities Inc. has an operating line of credit for general business purposes with a limit of \$3,500,000 of which \$1,500,000 was granted in the current year. The line of credit bears interest at the greater of 5% per annum or prime plus 2.75% and is secured by two specific revenue producing properties with a net book value of \$3,290,831 at September 30, 2009. Repayment of the loan is interest only monthly with an annual principal payment of \$300,000 due May 2010. The line of credit is guaranteed by the President of the Company. No fees were paid or will be paid for the guarantee.

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% (2008 – 1.25%) 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.

9. Mortgages

Maturity Date	Rate	Monthly Payments	Balance Sep. 30 2009	Balance Sep. 30 2008	NBV of the Underlying Security	Lender
May 1, 2009	-	\$ -	\$ -	\$ 582,824	\$ -	CWB
Nov 1, 2010	4.71%	14,695	1,532,597	1,634,849	2,828,365	CIBC
May 1, 2009	-	-	-	1,002,669	-	CWB
Jan 1, 2012	4.94%	8,636	958,345	1,013,637	677,929	CIBC
Nov 1, 2011	4.97%	12,704	1,400,520	1,481,883	748,364	Manulife
Apr 1, 2012	5.20%	15,169	1,683,624	1,776,425	1,488,604	CIBC
Sep 1, 2012	5.81%	12,449	1,366,242	1,435,036	1,004,428	Manulife
Sep 1, 2012	4.74%	12,599	1,204,798	1,291,696	1,876,344	Mfr. Life
Aug 1, 2010	4.40%	17,810	1,853,745	1,983,550	2,617,917	CIBC
Oct 1, 2013	5.385%	12,117	1,438,584	1,500,000	2,562,647	RBC
Aug 1, 2013	5.782%	62,134	7,146,492	7,473,576	8,921,008	CIBC
			\$ 18,584,947	\$ 21,176,145	\$ 22,725,606	
Less current portion:			(2,788,393)	(3,795,996)		
			\$ 15,796,554	\$ 17,380,149		

9. Mortgages (cont'd)

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:

2010	\$	2,788,393
2011		2,298,436
2012		6,237,231
2013		6,128,244
2014		1,132,643
	\$	<u>18,584,947</u>

The security pledged for each mortgage is limited to that mortgage.

10. Debentures

The subordinated debentures in the amount of \$150,000 (2008 - \$330,000) are due on demand and are unsecured. Interest at an annual rate of 6% (2008 – 8%) as negotiated by the parties and is calculated and paid monthly. During the year the Company paid out two subordinated debenture holders in full. The total amount repaid was \$180,000.

11. Other financing

The balance owing at September 30, 2009 in the amount of \$1,500,000 (2008 - \$1,500,000) is owed to a company owned by an immediate family member of a director and significant shareholder of the Company. The loan bears interest at 6% (2008 – 8%) per annum and is paid monthly. The loan is unsecured with no set terms of repayment.

During the prior year, the Company received interim short term project financing from numerous lenders in the amount of \$2,950,000. Of the \$2,950,000 received, \$2,450,000 was received from related parties as disclosed in Note 17. The remaining \$500,000 was received from a private lender. All of the lenders received interest on their loans equal to 8% per annum with the exception of a \$2,000,000 related party loan which incurred interest at a rate of 1% per month. Of the \$2,950,000 received, all of the money was repaid during the prior year with accumulated interest at the stated rates when the Company received conventional mortgage financing on the build to suit project that commenced in 2007.

The above transactions occurred within the course of normal business operations at rates negotiated between the parties involved. All related party transactions and balances have been recorded at the exchange amount. For additional related party information see Note 17.

12. Income taxes

a) Provision for income taxes

Income tax expense differs from the amount computed by applying the statutory provincial and federal income tax rates to the respective years' earnings before income taxes. These differences result from the following items:

12. Income taxes (cont'd)

	2009	2008
Expected income tax expense (recovery) at 29.13% (30.16% 2008)	\$ 158,088	\$ (53,714)
<i>Increase (decrease) resulting from:</i>		
Income tax rate adjustments	(2,154)	(106,324)
Other	(32,693)	24,769
Prior year reassessments	58,016	-
	\$ 181,257	\$ (135,269)

b) Future income taxes

The tax effects of temporary differences that give rise to the Company's future tax balances are as follows:

2009	IEI	IDCI	CONSOLIDATED
<i>Non-current assets</i>			
Cumulative eligible capital	\$ 962	\$ -	\$ 962
Loss carry forward	-	430,186	430,186
Share issue and financing costs	20,571	-	20,571
	\$ 21,533	\$ 430,186	\$ 451,719

<i>Non-current liabilities</i>			
Book cost of revenue producing properties in excess of tax cost	\$ 546,043	\$ (16,842)	\$ 529,201
Straight-line rent	88,176	-	88,176
Deferred leasing costs	178,030	-	178,030
Intangibles	95,314	14,638	109,952
	\$ 907,563	\$ (2,204)	\$ 905,359

2008	IEI	IDCI	CONSOLIDATED
<i>Current assets</i>			
Share issue and financing costs	\$ 5,993	\$ -	\$ 5,993

<i>Non-current assets</i>			
Loss carry forward	-	507,964	507,964
Share issue and financing costs	31,517	-	31,517
	\$ 31,517	\$ 507,964	\$ 539,480

<i>Non-current liabilities</i>			
Book cost of revenue producing properties in excess of tax cost	\$ 548,179	\$ 12,457	\$ 560,636
Straight-line rent	75,285	-	75,285
Deferred leasing costs	212,047	-	212,047
Intangibles	111,138	-	111,138
	\$ 946,649	\$ 12,457	\$ 959,106

12. Income taxes (cont'd)

c) Non-capital losses

The Company has non-capital losses of \$1,648,221 available to reduce future taxable income. These losses have been recognized as a future tax asset in these financial statements. If not utilized these losses will expire as follows:

2013	\$ 391,258
2024	63,391
2025	411,154
2026	689,077
2027	93,341
	<u>\$1,648,221</u>

13. Share capital

a) Authorized:

Unlimited number of common shares

b) Issued and outstanding

	Number of shares	Cost
Balance at September 30, 2007	9,106,342	\$ 3,917,086
Stock options exercised (<i>Note 14 and 15</i>)	100,000	127,000
Balance at September 30, 2008	9,206,342	\$ 4,044,086
Shares cancelled during the year	(106,000)	(46,162)
Balance at September 30, 2009	9,100,342	\$ 3,997,924

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 that expired June 15, 2009. As of September 30, 2008 the Company had purchased 48,400 shares for total cash consideration of \$98,116. During the year the Company purchased an additional 57,600 shares for total cash consideration of \$110,070 pursuant to that bid. Of the total 106,000 shares repurchased, all were cancelled during the year. The excess of the cost over the stated value of the shares cancelled of \$162,023 has been recorded as a charge to retained earnings.

The Company received further approval from the TSX Venture Exchange to purchase up to 455,017 common shares representing 5% of the outstanding shares under a normal course issuer bid that expires August 23, 2010. Under the new bid the Company purchased 5,000 shares for total cash consideration of \$7,650 during the year. Of the 5,000 remaining shares repurchased, all are carried at cost (\$7,650) and shown as a deduction from shareholders' equity until such time that they are cancelled.

14. Stock-based compensation plan

The Company has established a Stock Option Plan for the benefit of its directors, management and key employees. The Board of Directors may designate which directors, management and key employees of the Company are to be granted options. Under the Stock Option Plan, the Company may grant options, which vest immediately, to acquire a maximum number of common shares equal to 10% of its total issued and outstanding common shares. On August 11, 2005, the Company received regulatory approval to issue 400,000 stock options to its directors enabling each holder the right to acquire one common share for each option held. At the time of grant, the options had a weighted average fair value of \$0.27. On May 21, 2008 the Company issued an additional 100,000 options to a director enabling the holder the right to acquire one common share for each option held. At the time of the grant, the options had a weighted average fair value of \$0.31.

The following table reflects the activity under the stock option plan:

	Options Outstanding	Exercise Price	Remaining Life (Yrs)
Balance at September 30, 2007	300,000	\$ 1.00	3
Granted in 2008	100,000	\$ 1.75	2
Exercised in 2008	(100,000)	\$ 1.00	-
Forfeited and expired	-	-	-
Balance at September 30, 2009 and 2008	300,000	\$ 1.25	1

During the prior year, a director of the Company exercised his right to acquire one common share for each option held. Proceeds of \$100,000 were received in exchange for the issuance of 100,000 common shares.

In determining the fair value of stock options granted on May 21, 2008, the following estimates were used in the Black-Scholes option pricing model; a risk-free interest rate of 3.45%, expected life of 2.22 years, volatility of the trading price was estimated at 25% and no expected dividends. Total compensation cost of \$31,720 was recognized as compensation expense for the granting of the options with a corresponding increase to contributed surplus.

15. Contributed surplus

	2009	2008
Balance, beginning of year	\$ 85,720	\$ 81,000
Carrying value of options exercised during the year	-	(27,000)
Stock-based compensation recognition of fair value of stock options granted to:		
-Employees, officers and directors	-	31,720
Balance, end of year	\$ 85,720	\$ 85,720

During the prior year, the right to acquire one common share for each option held was exercised by a director of the corporation. A total of 100,000 shares were issued. The carrying value of the options exercised was recorded as a reduction of the contributed surplus account with a corresponding increase to share capital.

16. Earnings (loss) per share

The computation of basic earnings (loss) per share has been calculated using the weighted average number of common shares outstanding during the year. Earnings (loss) per share on a diluted basis have been calculated using the "treasury method".

The following table describes the computation of basic and diluted earnings (loss) per share:

	2009	2008
Numerator		
Net earnings (loss) and comprehensive income (loss)	\$ 361,533	\$ (42,857)
Denominator		
Basic weighted average number of common shares	9,110,621	9,134,018
Effect of dilutive stock options	125,000	118,986
Diluted weighted average number of common shares	9,235,621	9,253,003
Earnings (loss) per share – basic	\$.04	\$ (.01)
Earnings (loss) per share – diluted	\$.04	\$ (.01)

17. Related party transactions

Related party transactions are as follows:

	2009	2008
Paid to companies owned or controlled by a director, majority shareholder and officer		
Property management and operations	\$ 276,324	\$ 243,955
Leasehold improvements contracts	65,114	550,000
Leasing and real estate commissions	18,644	232,571
Marketing and consulting fees	71,995	57,288
	\$ 432,077	\$ 1,083,814
Amounts payable at year end	\$ -	\$ 56,554

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.

Leasehold improvement contracts were paid to a company owned 100% by a director, majority shareholder and officer and related to large scale projects not considered ordinary maintenance, and include tenant improvements required to increase the size of a current tenant's lease space. Marketing and consulting fees were paid to this same company.

Leasing and real estate commissions were paid to a company managed and controlled by a director, majority shareholder and officer that is also owned 100% by a member of the immediate family of this party. Fees and commissions paid are in line with current industry standards and are comparable to similar transactions undertaken by the Company with unrelated parties.

17. Related party transactions (cont'd)

Marketing and consulting fees were paid to a company managed and controlled by a director, majority shareholder and officer. Fees paid are to recover base salary and benefits for employees that performed for specific tasks for the 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.

	2009	2008
Other financing from a company owned by a director, majority shareholder and officer		
Balance payable, beginning of year	\$ -	\$ -
Advances to Imperial Equities Inc.	-	350,000
Repayments of advances	-	(350,000)
Balance payable, end of year	\$ -	\$ -
Interest paid on advances	\$ -	\$ 2,915

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.	-	2,000,000
Repayments of advances	-	(2,000,000)
Balance payable, end of year	\$ 1,500,000	\$ 1,500,000
Interest paid on advances	\$ 100,000	\$ 181,315

Other financing from a director, officer and majority shareholder

	2009	2008
Balance payable, beginning of year	\$ -	\$ -
Advances to Imperial Equities Inc.	-	100,000
Repayments of advances	-	(100,000)
Balance payable, end of year	\$ -	\$ -
Interest paid on advances	\$ -	\$ 142

Advances to the Company are used for interim financing and are measured at amortized cost. The advances are unsecured with no set term of repayment and bear interest at a rate of 6% per annum or 1% per month (see Note 11), which are the rates that were 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	\$ 11,000	\$ 8,500
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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.

17. Related party transactions (cont'd)

Paid to a partnership of which a director is a partner

Legal fees	\$ 23,050	\$ 47,307
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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.

18. 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. All of the Company's sales are within Canada.

September 30,	Pharmaceuticals		Real Estate		Corporate Expenses		Consolidated	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Revenue	\$ 12,854,978	\$ 10,452,371	\$ 4,816,929	\$ 3,367,703			\$ 17,671,907	\$ 13,820,074
Property operations	-	-	1,149,422	793,485			1,149,422	793,485
Cost of sales of pharmaceuticals	11,985,822	9,810,143		-			11,985,822	9,810,143
Interest on mortgages, debentures and other financing	6,239	48,792	1,268,276	936,782			1,274,515	985,574
Amortization	50,791	116,109	1,260,702	812,097			1,311,493	928,206
Selling and administrative	866,390	759,975	153,748	220,788			1,020,138	980,763
Segment (loss) earnings from operations	(54,264)	(282,648)	984,781	604,551			930,517	321,903
Gain on sale of properties	-	-	-	-				
General corporate expenses	-	-	-	-	\$ 387,727	\$ 500,029	387,727	500,029
Income tax (recovery) expense	(49,066)	138,029	230,323	(273,298)			181,257	(135,269)
Net (loss) earnings and comp. income	\$ (5,198)	\$ (420,677)	\$ 754,458	\$ 877,849	\$ (387,727)	\$ (500,029)	\$ 361,533	\$ (42,857)
Identifiable segment assets	\$ 5,802,743	\$ 5,975,481	\$ 28,244,424	\$ 29,513,821			\$ 34,047,167	\$ 35,489,302
Expenditures for segment capital assets, intangible assets, property under development, and revenue producing property	\$ 22,448	\$ 53,450	\$ 551,346	\$ 9,610,427			\$ 573,794	\$ 9,663,877

An estimated income tax recovery of \$116,318 (2008 - \$155,008) related to corporate costs was recognized during the year and included in the real estate segment.

19. Supplemental consolidated cash flow information

	2009	2008
Change in non-cash operating balances		
Receivables	\$ (525,103)	\$ (549,491)
Inventory	432,323	(80,890)
Prepaid expenses and deposits	(17,606)	(72,851)
Payables and accruals	(555,889)	330,786
Income taxes	467,444	(751,302)
Security deposits and other	5,697	(197,176)
Future rent receivable	(58,231)	(30,350)
	\$ (251,365)	\$ (1,351,274)
Interest paid	\$ 1,179,684	\$ 1,023,229
Income taxes paid	\$ 52,783	\$ 492,940

20. Capital risk management

The Company defines capital that it manages as the aggregate of its shareholders' equity and interest bearing debt. The Company's objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can sustain daily operations and provide adequate returns to its shareholders.

The Company is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced, or may not be refinanced on as favorable terms or with interest rates as favorable as those of the existing debt. The Company mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, enhance the value of its real estate properties and maintain high occupancy levels. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Capital Structure

As at	September 30, 2009	September 30, 2008
Mortgages	\$ 18,584,947	\$ 21,176,145
Bank indebtedness	3,245,111	1,666,098
Other financing and debentures	1,650,000	1,830,000
Less: cash and cash equivalents	(195,656)	(647,130)
Net debt	23,284,402	24,025,113
Equity	8,577,389	8,333,575
	\$ 31,861,791	\$ 32,358,688

At September 30, 2009, the Company has continued to meet all externally imposed capital requirements. The Company has a line of credit in IDCI that is based on a certain percentage of inventory and accounts receivable that is monitored monthly.

21. Commitments

The Company's subsidiary has a commitment under the lease agreements to make payments for its leased premises. The leases expire June 30, 2010. Lease payments due to the terms of the leases are \$58,183.

The Company's subsidiary has commitments under vehicle lease agreements with a related party to make payments for leased vehicles used in the delivery of pharmaceuticals. The leases have expiry dates between December 2009 and September 24, 2012. Lease payments for the current year are included in operations in the related party transactions. Lease payments due to the terms of the leases are as follows:

2010	\$ 18,110
2011	12,860
<u>2012</u>	<u>9,360</u>
	<u>\$ 40,330</u>

Contracts for vehicle leases are in management's opinion an approximation of normal commercial rates and terms.

Imperial Equities Inc. has contracts in place with related parties described in Note 17. The contracts relate to property management fees and asset management fees. Both contracts have been in place since 1999 and have been renewed on an annual basis with no changes to the terms.

22. Contingencies

In the normal course of business, the Company enters into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, distribution and service agreements. The Company has also agreed to indemnify its directors and certain of its officers and employees in accordance with the Company's bylaws. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities, and as such no provision has been included in these financial statements. Further the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

23. Financial instruments

Financial instruments consist of cash, recorded amounts of receivable and other like amounts that will result in future cash receipts, as well as bank indebtedness, accounts payable and accruals, short and long term borrowings, and any other amounts that will result in future cash outlays.

The carrying value of financial assets by category measured at amortized cost at September 30,

	2009		2008	
	Held For Trading	Loans And Receivables	Held For Trading	Loans And Receivables
Cash and cash equivalents	\$ 195,656	-	\$ 647,130	-
Receivables	-	\$ 2,797,634	-	\$ 2,272,531

The carrying amount of cash and cash equivalents and receivables approximate their fair value due to the relatively short period to maturity.

23. Financial instruments (cont'd)

The carrying value of financial liabilities by category measured at amortized cost at September 30,

Other Financial Liabilities	2009	2008
Bank indebtedness	\$ 3,245,111	\$ 1,666,098
Payables and accruals	840,329	1,396,218
Other financing	1,500,000	1,500,000
Debentures	150,000	330,000
Security deposits	133,857	128,160
Mortgages	18,584,947	21,176,145
	\$ 24,454,244	\$ 26,196,621

The carrying value of bank indebtedness and payables approximate their fair value because of the near term maturity of those instruments. The fair value of mortgages payable are based on discounted future cash flows using rates that reflect current rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at September 30, 2009 is \$18,917,788 (2008 - \$21,228,993). The fair value of debentures and related party financing to the Company is not readily available as there is no secondary market for these financial instruments. These estimates are subjective in nature as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible.

The Company's activities expose it to financial risks including, credit risk, interest rate risk and liquidity risk. Management reviews these risks on an ongoing basis to ensure that the risks are appropriately managed.

Credit risk

Credit risk for Imperial Equities Inc. arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss with a policy of credit assessment for all new lessees and by limiting its exposure to any one tenant. The Company is exposed to increased credit risk from customers in IDCI's operations as the Company continues to grow and increase the customer base. At September 30, 2009, two accounts have each generated more than 10% of the total volume of gross sales contributing \$4,134,090 (31%) of the Company's \$12,853,537 total sales for the year. Sales related to each customer range between 12.5-19% of total sales. This risk is minimized as sixty per cent of these sales are to a government authority. The other major customer has established their credit line and continues to pay within their terms.

The Company has a credit policy of reviewing all customer orders for approval and monthly monitoring of accounts receivable. Receivables of \$2,797,634 at September 30, 2009 have the following ageing; 71% are current, 14% are 31-60 days, 9% are 61-90 days past due and 5% are over 91 days.

Accounts receivable that are past their contractual terms at September 30, 2009 and not included in the allowance for doubtful accounts are \$5,714. However, given the customer base, customers typically pay within their terms. Management does not consider the amount over 90 days, net of provisions for uncollectible accounts, as uncollectible as management is thorough in the process of reviewing credit limits and works closely with the customers to ensure collection.

Trade accounts receivable in the Company that have been deemed uncollectable are expensed as bad debts and charged to net income in the period that the account is determined to be doubtful. Estimates for the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date.

23. Financial instruments (cont'd)

As at September 30, 2009 the Company has recorded an allowance for doubtful accounts in the amount of \$349,037 (2008 - \$306,591). Of this balance, \$300,591 (2008 - \$300,591) remains under litigation.

Provisions for uncollectable accounts are made in the allowance for doubtful accounts. Balance in the allowance for doubtful accounts are as follows:

	2009	2008
Balance, beginning of year	\$ 306,591	\$ 360,334
Bad debt expense (recovery)	42,446	(53,743)
Balance, end of year	\$ 349,037	\$ 306,591

Interest rate risk

The Company's exposure to interest rate cash flow risk relates to its short term floating interest rates on bank indebtedness as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The balance on the lines of credit at September 30, 2009 is \$3,245,111. Based on this balance at September 30, 2009, a 1% increase in the prime rate would have a negative impact on the earnings of the Company of \$32,451. The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms varying from one to five years.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company's objective related to liquidity risk is to effectively manage cash flows to minimize the exposure that the Company will not be able to meet its obligations associated with financial liabilities. The Company actively monitors its financing obligations, cash and cash equivalents to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. Management manages its liquidity risk with the use of the lines of credit available to the Company as well as short term financing from related parties. Management estimates that cash flows from real estate activities will provide sufficient cash requirements to cover normal operating and budgeted expenditures for the real estate segment. The pharmaceutical segment is forecasted to use its line of credit in the next twelve months to fund operations and provide interim financing to facilitate expected growth. In recent months, global financial markets and economic conditions have been disruptive and volatile with debt and equity capital markets becoming distressed. These factors, together with the re-pricing of credit risk and the current weak economic conditions have made, and will likely continue to make, it difficult to obtain funding. In addition the cost of obtaining money from the credit markets has generally increased as many lenders have increased interest rates, enacted tighter lending standards, and are not refinancing existing debt at maturity on terms similar to current debt agreements and, in some cases, have ceased to provide funding. Due to these factors, the Company cannot be certain that funding will be available when needed and to the extent required, on acceptable terms.

The Company's liquidity risk is increased with its exposure to other financing from related parties. The balance outstanding at September 30, 2009 in the amount of \$1,500,000 has no specific terms for repayment. If this liability becomes due in the next twelve months, the Company will be able to meet this obligation through the funds from operations and the unused balances on current credit facilities.

23. Financial instruments (cont'd)

One mortgage is up for renewal in the next twelve months and there is sufficient equity in the properties to relieve this obligation should it arise.

Contractual obligations

	>1 year	2-3 years	4-5 years	> 5 years	Total
Mortgages	\$ 2,788,393	\$ 8,535,667	\$ 7,260,887	\$ -	\$ 18,584,947
Payables and accruals	840,329	-	-	-	840,329
Security deposits	3,200	87,076	30,337	16,446	137,059
	\$ 3,631,922	\$ 8,644,963	\$ 7,291,224	\$ 16,446	\$ 19,562,335
Lines of credit	3,245,111	-	-	-	3,245,111
Other financing	1,500,000	-	-	-	1,500,000
Debentures	150,000	-	-	-	150,000
	\$ 8,527,033	\$ 8,644,963	\$ 7,291,224	\$ 16,446	\$ 24,457,446

24. Subsequent event

Subsequent to the year end the Company entered into an agreement to purchase land in Fort McMurray, Alberta to complete a build to suit project. Total purchase price of the land is \$5,775,000 and is expected to close in 2010.

25. Comparative figures

Certain comparative figures disclosed in the consolidated financial statements have been reclassified to conform to the current year's presentation.