



PROGRESS BY **DESIGN**



IMPERIAL
EQUITIES
INC.

2016
ANNUAL REPORT



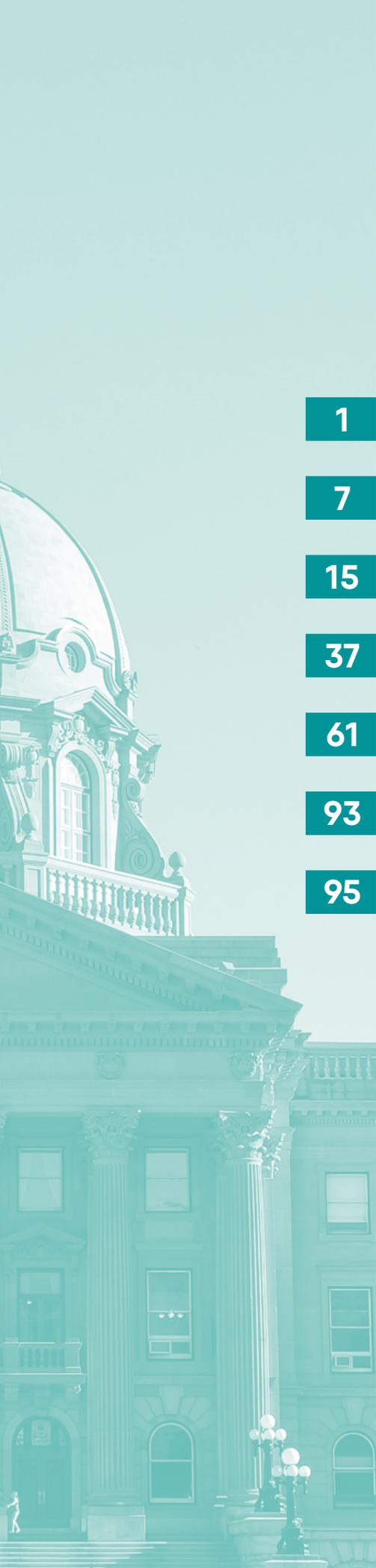


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2016

PRESIDENT'S REPORT



Accomplishing goals and attaining milestones are the driving objectives of the management team behind the operations at Imperial Equities.

Our quest to build a strong public enterprise with a collection of industrial and commercial properties throughout Alberta and Canada has become a reality and more importantly, the backbone of our organization. Imperial has been resolute in ensuring the quality of its assets are superior and the scale of its tenant base being primarily international, national or large regional. Our steadfast resolution to stay committed to these principals has certainly allowed us to forge forward on a solid foundation. The Imperial philosophy of building and maintaining relationships with its tenants has also been fundamental to our growth. By continuously developing new relationships and strengthening existing ones with a business ethic that has come to be known and trusted is largely why our industrial real estate portfolio is 100% occupied, an impressive record by all accounts.

For the past eighteen years Imperial Equities has grown into a very well recognized corporate entity throughout Alberta. Year after year we have continually grown our asset base to over \$171 million and with projects currently under consideration we are likely to surpass the \$200 million mark by Q4, 2017. Imperial's strong work ethic and a genuine focus on developing a respected, Canadian based, public real estate company can best be described as **Progress by Design**.

Our pursuit to grow a large portfolio of industrial real estate properties has us exploring throughout Canada. Management has been very active in searching for revenue producing properties that fit our criteria. Properties in markets throughout Alberta as well as cities in other parts of Canada such as Vancouver, Winnipeg and Toronto have been vetted and remain under close consideration. It is interesting to note, that although there is much rhetoric about the current state of Alberta's economy that would suggest a buyer's market, that is not necessarily the case. Many of the current sales statistics in Edmonton relating to industrial properties would indicate that prices continue to hold firm. Industrial rental rates in Edmonton have traditionally been high compared to markets such as Vancouver and Toronto and despite the negative outlook that low oil prices have triggered throughout Alberta, industrial lease rates in Edmonton have remained relatively stable.

The greater Edmonton region is the de facto location of the service sector for the oil and gas industry in Alberta. Specific industrial areas such as south Edmonton (Nisku) has been affected by the dramatic decline in the price of oil and ironically, despite Nisku's reported 20% industrial vacancy rate, asking prices for revenue

producing properties remain relatively high. Although current activity in the oil and gas sector has negatively impacted certain real estate submarkets throughout Alberta, especially Calgary's office market, Statistics Canada has reported that 70% of Alberta building permits issued in Q2, 2016 were in Edmonton. The value attributed to these permits is over \$1 billion dollars and with approximately \$3 billion in construction projects currently in progress, Edmonton seems to be holding its own.

Other geographical areas in the Province have not fared as well as Edmonton. Fort McMurray which is highly dependent on the oil industry is especially experiencing the effects of low oil prices. During the past decade, Fort McMurray's industrial lease rates were some of the highest in Canada and vacancies were rare. The demand for raw industrial properties was unprecedented and the supply was almost nonexistent consequently creating a perfect storm for escalating lease rates. During the past several quarters, industrial vacancies are prevalent, real estate prices seemed to have stabilized and the exorbitant lease rates that prevailed have begun to marginally decline. The two developed properties in Fort McMurray owned by Imperial Equities have long term lease contracts in place. Our tenants are strong multinational corporations that are not necessarily dependent on the oil industry and are expected to honor their lease commitments with relative ease.

A preferred type of acquisition for Imperial is a single tenant building that is occupied by the current owner who will sell the property and remain as a tenant. This type of transaction known as a "sale leaseback" was presented to Imperial in Q3, 2016. The property located in central south Edmonton has a 75,000 ft² building situated on 6.8 acres of prime industrial land with excellent exposure to major thoroughfares in south Edmonton. We completed our due diligence and negotiated a long-term lease agreement at prevailing market rates. The transaction agreement between Imperial and Scotland based Weir Group PLC was in the amount of \$12,250,000.00 and closed on September 30, 2016. The property will continue to serve as headquarters for Weir Seaboard Canada a manufacturer of cost-effective wellhead products and pressure control equipment designed for the oil and gas industry around the globe. This acquisition is characteristic of the ideal transaction whereby Imperial's tenant base remains largely international in scope.

Our willingness to grow our real estate portfolio can also be demonstrated by the proposed developments within our own Coppertone Industrial Common. In 2004, Imperial created this industrial development that is situated within the Mitchell Industrial district, a most desirable industrial area in Edmonton. The common theme among the newly constructed buildings is the copper cladding and curtain wall finishes that make these industrial buildings superior to any other buildings in the area. Coppertone I and Coppertone II have been completed and are fully occupied



“**IMPERIAL’S STRONG WORK ETHIC AND A GENUINE FOCUS ON DEVELOPING A RESPECTED, CANADIAN BASED, PUBLIC REAL ESTATE COMPANY CAN BEST BE DESCRIBED AS PROGRESS BY DESIGN.**”

with international tenants. The planning stages of Coppertone III are now completed and a development permit has been issued. Construction of a new copper clad structure will likely begin in Q2, 2017 and is expected to be completed in Q1, 2018. This 13,000 ft² structure will be built on a 1.25 acre site adjacent to our Coppertone II property. Although we have seldom constructed buildings without a prearranged tenant, this one will likely be spoken for prior to its completion. Its size, appearance, layout and location all contribute to making it the most desirable type of property in Edmonton!

Over the past several months Management has been considering the idea of building three more smaller buildings on the 2.24 acre site in our Coppertone Industrial Common. The buildings would be constructed of precast concrete and would incorporate the copper cladding and curtain wall features that are present in all our Coppertone buildings. Preliminary designs are complete and budget costs are currently being analyzed. The size of each building being proposed is very desirable for a small to medium sized distributor or contractor. The potential to lease out any of these three buildings will likely be relatively easy given the current demand in Edmonton for this type of product. Construction would take place on a strata title plan which would afford the Company an opportunity to lease, finance or sell each building individually.

Prior to year-end we also completed the due diligence on a property located near our Coppertone Industrial Common. The property consists of a relatively new 7,266 ft² building on 1.84 acres of fully serviced land. The building has a generous amount of energized parking stalls as well as a completely paved and fenced yard. The purchase price is \$2,050,000.00 and have closed the transaction post Q4, 2016. The current owner has vacated the building and Imperial has begun marketing the property to prospective tenants. Because of the proximity to our Coppertone Industrial Common, this acquisition will be a good addition to the collection of land and buildings we already own in the area and will be renamed Coppertone VIII.

Currently in Edmonton, Imperial has an unconditional agreement to purchase another property that is adjacent to the east boundary

of the Coppertone Industrial Common. The Property is situated on 2.82 acres of prime commercial/industrial real estate with considerable frontage along the highly utilized 149 Street in northwest Edmonton. Built in 1999, the 47,652 ft² building is an aesthetically pleasing multi tenanted building which is fully occupied with long term tenants including the government of Canada. It has excellent curb appeal and superb exposure to one of Edmonton's most travelled thoroughfares. The location of the Property is strategic to Imperial's long term goal of creating an attractive and functional industrial area in northwest Edmonton. The property borders the most easterly part of Imperial's "Coppertone Industrial Common" which has become one of northwest Edmonton's desired locations. The Property will certainly be a very appealing addition to Imperial's growing industrial and commercial real estate portfolio and will soon be renamed to Coppertone VII. The \$9.8 million purchase price has been agreed upon and closing will take place in Q2, 2017.

The ability for a company to finance its real estate assets at the lowest rates possible is as prudent as negotiating the highest priced lease rate. Interest rates in Canada have fluctuated dramatically over the past three decades and lately, reduced to the lowest levels our company has ever experienced. Despite some minor fluctuations, for every quarter in each year that we've been reporting our weighted average interest rate, Imperial's weighted average rates have been declining. During Q3 we renewed a large mortgage that for the past five years had carried a rate of 4.13% per annum. The new five-year renewal rate was set at 2.88%, which once again had established a new record low for our weighted average rates. At September 30, 2016, we placed a new five-year fixed rate mortgage on our newest acquisition, the Weir Seaboard Building. The 2.47% interest rate obtained on this mortgage was the lowest achieved in our corporate history. Imperial's mortgage liabilities now have a weighted average interest rate of 3.10% and is expected to be further reduced as current higher priced mortgages mature. Our negotiation leverage with lenders and financial institutions is a testament to their confidence in our management and financial strength.

Imperial's industrial real estate portfolio now consists of hundreds



of thousands of leasable square feet throughout Alberta. Maintaining a standard worthy of being included in the portfolio requires continuous care and upkeep of each property. Our asset management team is continually vigilant of potential maintenance problems and recommends the appropriate corrective actions when identified. This process serves to ensure that our properties remain in good condition with contented tenants. Ensuring that our properties are fully leased and generating revenue is paramount.

It is no secret that Alberta's economy is largely dependent on the oil and gas sector and northeastern Alberta and the Fort McMurray region in particular is the major oil producing region in all of Canada. In late spring of this year and just as some optimism in the industry was beginning to set in, a major natural disaster struck the region thus further jeopardizing the multi-billion dollar oil industry. What started out as a rogue forest fire soon turned into a raging wildfire that ravaged the city of Fort McMurray, Alberta and threatened not only human life and property, but the very life blood of its economy. As the entire city of 80,000 people was being evacuated, first responders were primarily focused on ensuring the safety of the evacuees and then protecting the homes and properties throughout the community. Miraculously there was no loss of life attributed directly to the wildfires.

On May 1, 2016, the wildfire began southwest of Fort McMurray and by May 3rd it swept through the community destroying approximately 2,400 homes and buildings and forcing the largest wildfire evacuation in Alberta history. It continued to spread across northern Alberta and into Saskatchewan consuming forested areas and impacting Athabasca oil sands operations. The fire spread across approximately 590,000 hectares (1,500,000 acres) before it was declared to be under control on July 5, 2016. It has turned out to be the costliest natural disaster in Canadian history.

By June 10, 2016, more than one month after the fires started, evacuees began to return to Fort McMurray to begin the process of rebuilding the community. The task of rebuilding the destroyed homes and properties as well as restoring the internal economy began very quickly. Insurance companies and contractors scrambled to assess the damages sustained by this massive

natural disaster. It has been estimated by the Insurance Bureau of Canada (IBC) that the costs associated with this giant forest fire that was dubbed "the beast", are expected to be in excess of 4 billion dollars.

Throughout the ordeal, we attempted to get any information regarding the condition of our properties. There was absolutely no civilian access and the Fort McMurray airport was shut down. Notwithstanding the challenges of receiving information, any reports we were able to get indicated that the Imperial properties were intact and had likely only suffered some smoke damage.

At the first opportunity, our property management team inspected the properties and determined that with the exception of some smoke damage to our Strongco building, our properties had survived the wildfires essentially unscathed. Our tenants have resumed their respective commercial operations and all lease obligations to Imperial Equities have continued unabated. Preceding the wildfires, Imperial agreed to a month to month land lease arrangement with Hertz Equipment Rentals to lease them the 2 acres of raw land. The lease commencement date was set for May 1, 2016, the very day the fire entered Fort McMurray and triggered the evacuation. Upon receiving approval for businesses to return to Fort McMurray, Hertz began utilizing the lands for outdoor storage of their equipment.

A major development this year is the sale of our wholly owned pharmaceutical distribution division, Imperial Distributors Canada (IDCI). We grew IDCI from a small startup in 2006 to a full line distributor and a major player in the pharmaceutical supply chain throughout Canada. Despite fierce competition within the industry, IDCI was able to eke out a niche that no competitor was able to replicate. Management needed a competitive advantage and was able to identify a strategy and implement it. Annual revenues within IDCI which were just over \$1 million in 2006 and grew year after year to close out at over \$75 million.

The prices of pharmaceuticals throughout Canada vary dramatically from province to province. It is truly amazing that in this technological and knowledge based age we still haven't found a

method nor the political will to have uniform pricing throughout our country. This inconsistency in pricing creates a major challenge for a distributor with only one distribution center in Alberta. Sales to customers beyond the boundaries of the province would mean the segregation of product in our warehouse based on each province's provincial formulary pricing. Expanding IDCI with a distribution center in another province made sense and expanding into British Columbia's lower mainland made enormous sense.

Imperial accepted an offer to sell its interests in IDCI to a group with ties to a British Columbia based pharmaceutical distributor. The total purchase price had an aggregate value of approximately \$10 million which included all shares of IDCI, its inventory, receivables, payables and existing debt. The share sale which closed on December 31, 2015 will have IDCI continue with its operations in Alberta and expand into the lower mainland. With this expansion IDCI would now be able to efficiently and economically service its customer base throughout Alberta and British Columbia. These two most westerly Canadian provinces represent almost one third of Canada's population and provided that the new management maintains its competitive advantages, IDCI should continue to flourish.

The thought process with regard to the disposition of IDCI was treated no differently than we would with any of our real estate assets. Imperial has always subscribed to the belief that there comes a time with every property when its potential is maximized and the disposition of the asset would be beneficial to the Company. The M & D Drafting Building was acquired by Imperial in 2012 with the intent to build equity in the property. The 1.24 acre property situated along 76 Avenue in Edmonton's south east industrial corridor comprises a newer single tenant, purpose built office building. This office property which has been impeccably maintained, is the only office property in Imperial's portfolio. In Q3 Management completed its negotiations with the existing tenant and Imperial Equities Inc. MD&A as at December 13, 2016 pg. 6 signed a new long term lease agreement. Although not actively marketed and given that the property was outside of Imperial's "industrial" focus, Management deemed its disposition to be beneficial. An unsolicited offer to sell the property was accepted and the sale was completed in Q4, 2016.

The ability to gauge the success of a company by comparing it to its rivals is very exciting and also quite motivating. The Globe and Mail publishes the Report on Business magazine that delivers insightful content through stories behind market moves, industry developments and emerging business opportunities. Once a year it also publishes a ranking of Canada's top 1000 public companies according to their after-tax profits in their most recent fiscal year. This year the cover of a recent issue had the attention getting

headline "TOP 1000, the good, the bad and the disastrous". Inside, the article listed the 1000 largest publicly traded Canadian corporations and once again the Canadian chartered banks lead the way. In the case of Imperial Equities, the most recent fiscal year would be September 30, 2015 and remarkably but not surprising, Imperial Equities is ranked number 312. This is the fifth straight year that Imperial Equities has been included in the ranking and has shown strength each year. An outstanding achievement from the previous year where we were ranked 382 but most flattering knowing that just five years ago, Imperial was ranked number 523. Being included among Canada's most successful corporations is in itself quite an accomplishment and a proud achievement for a relatively young company to realize such a standing!

From its inception Imperial Equities has been a caring corporate citizen. Backed by a strong belief in supporting the community through health care, sports, arts and general people initiatives, Imperial has become a leader in charitable giving. Throughout this year, we donated more than \$70,000 to 11 different charities in the Alberta. With so many organizations doing so much great work, determining to who and when to place our support has become increasingly difficult. Placing an emphasis on "people wellness" has certainly been a path we've followed and will continue to do so.

As we look ahead to 2017 we are encouraged by the possibilities that may exist for Imperial Equities. Economic downturns in certain sectors will likely create opportunities in other sectors. With such a low interest rate environment and an encouraging economic outlook, we are eagerly looking forward to 2017 with vigor and optimism.

The enthusiasm and determination within management and staff at Imperial Equities will continue to drive revenues up quarter after quarter and propel our Company to greater heights. We remain focused at the task at hand and as always, we would like to thank our shareholders for their ongoing support and do invite you to contact any of the directors with comments, concerns or investment opportunities. Additional information on our Company can be viewed on line at our website www.imperialequities.com or www.sedar.com.

Sincerely,



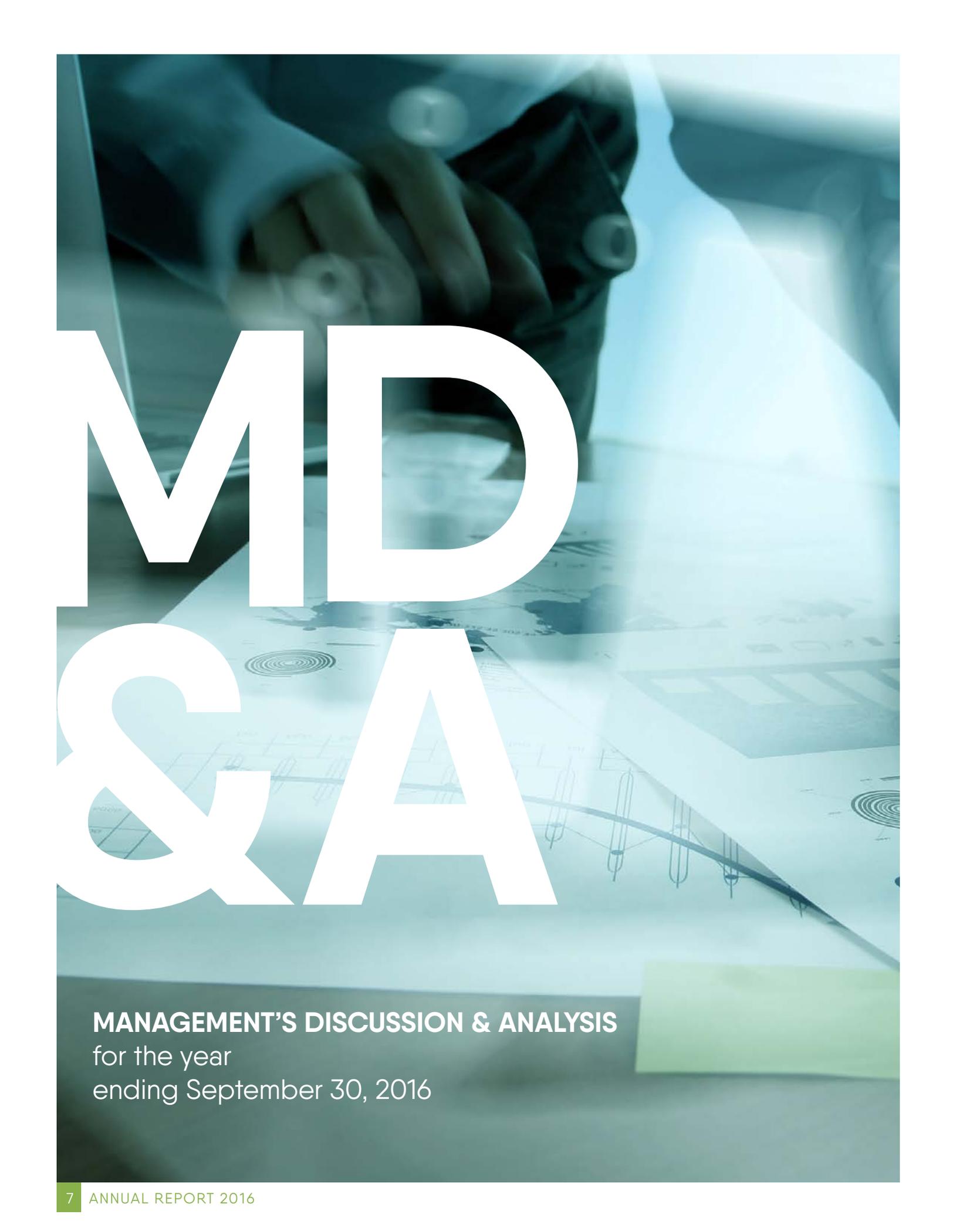
Sine Chadi
CEO & Chairman of the Board

“

YEAR AFTER YEAR WE HAVE CONTINUALLY GROWN OUR ASSET BASE TO OVER \$171 MILLION AND WITH PROJECTS CURRENTLY UNDER CONSIDERATION WE ARE LIKELY TO SURPASS THE \$200 MILLION MARK BY Q4, 2017.

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MD &A

MANAGEMENT'S DISCUSSION & ANALYSIS
for the year
ending September 30, 2016

AS AT DECEMBER 13, 2016

► **The following Management's Discussion and Analysis** ("MD&A") is intended to provide readers with an explanation of the performance of Imperial Equities Inc. ("Imperial" or the "Company" or "Imperial Equities") and its subsidiaries. This MD&A should be read in conjunction with the audited consolidated financial statements for the fiscal year ended September 30, 2016 and the related notes. Imperial Equities Inc. trades on the TSX Venture Exchange under the symbol "IEI". Additional information on the Company may be obtained by visiting www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

► **Management is responsible for the information disclosed** in the MD&A and is also responsible to ensure that appropriate procedures and controls exist internally that will provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with International Financial Reporting Standards. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed and approved this MD&A and the accompanying consolidated financial statements.

BUSINESS OVERVIEW

► **Imperial Equities Inc. ("Imperial" or "the Company") is an** Edmonton, Alberta based business with a focus on the acquisition, development, and redevelopment of commercial and industrial properties in its targeted Edmonton and Alberta markets. The Company's common shares are traded on the TSX Venture Exchange under the symbol "IEI".

Since operations began in 1998, Imperial Equities has achieved solid growth quarter after quarter for the past 18 years. In 2006 Imperial acquired a pharmaceutical distribution business which it renamed Imperial Distributors Canada Inc. This business acquisition diversified Imperial's operating activities and split the focus of the Company into two very different business environments. After nine years of building this division and achieving record sales each quarter, the Board of Imperial accepted an offer to sell the pharmaceutical company to a British Columbia pharmaceutical distributor looking to expand. The sale was completed in Q1, 2016.

ADDITIONAL NON-IFRS MEASURES

► **Throughout the MD&A, management will use measures** that may include Adjusted EBITDA, (income from operations before interest, taxes, depreciation and amortization, valuation gains and straight-line rental revenue) and NOI (net operating income from properties which includes property revenue less direct property operating expenses and excludes non-cash and extraordinary items, administrative expenses, amortization, valuation gains or losses, gains or losses on sales of investment property, stock based compensation, interest and income taxes). Different issuers may use the same term(s) to refer to different calculations or may vary the definitions of a particular term from one period to another period. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Management believes its use of Adjusted EBITDA and NOI provides the shareholders and prospective investors with an additional performance measure to show the cash flow from operations that is available to finance debt and further growth of the Company. A detail of the calculation and a further description can be found in this MD&A.

FORWARD-LOOKING INFORMATION

► **In our report to shareholders, management may talk about** the current economy and express opinions on future interest rates and capitalization rates that we might experience or speculate on future market conditions. This forward-looking information is based on management's current assessment of market conditions based on their expertise as well as the opinions of other professionals in this industry. While management may consider these statements to be reasonably optimistic and favorable, the opinions and estimates of future trends are subject to risk and uncertainties. Readers are encouraged to read the risk factors identified in Note 21 of our 2016 consolidated financial statements and this MD&A. Any forward-looking statements in our report should not be relied upon as facts, as actual results may differ from estimates.

DISCONTINUED OPERATIONS MATERIAL CHANGE

PHARMACEUTICALS

Imperial Distributors Canada Inc. ("IDCI")

► **At December 31, 2015, Imperial Equities Inc. sold its interest** in Imperial Distributors Canada Inc. The discontinued operations at December 31, 2015 consist of the operations of IDCI which was previously considered an identifiable operating segment of the Company. IDCI was a wholly owned subsidiary that allowed the Company to diversify its core business to include the sale and distribution of pharmaceuticals to institutional and retail customers throughout Canada. The Company acquired IDCI in 2006 which at the time had total annual sales of \$1.1 million. With a trained and cohesive team of management and operations personnel, IDCI positioned itself as a valued member of the pharmaceutical supply chain, building its customer base throughout Canada. Management grew the business year over year and by September 30, 2015 had achieved annual sales of \$74 million.

Over the past several years, competition for market share within the pharmaceutical distribution industry has been fierce which has created a downward effect on profit margins. There has been a considerable amount of consolidation within the industry to counter the effects of lower margins and to remain competitive. The purchaser is affiliated with a Vancouver based pharmaceutical distribution company servicing the British Columbia market and the acquisition of IDCI will greatly enhance their ability to service an expanded customer base throughout western Canada.

At December 31, 2015, the Company closed the sale agreement for a transaction value of approximately \$10,000,000 which included \$1,500,000 for all the issued and outstanding shares of IDCI and the assumption of all IDCI's liabilities which shall be paid out within 90 days of the closing date. The IDCI liabilities include all trade payables, bank lines of credit and the Company shareholder loan in the amount of \$2,761,212. The shareholder loan amount was received in Q2 2016 and the line of credit was paid out in Q3 2016. The Company is carrying a non-interest bearing loan receivable of \$1,000,000 less a present value discount of \$43,250 at the sale date. Payment of the loan receivable shall be made in two instalments of \$500,000 each on the first and second anniversary of the sale date. The sale is subject to certain escrow conditions and contemplates all aspects of the operations of IDCI to remain as a going concern.

Going forward, the Management of Imperial Equities is excited to focus on growth in the real estate sector and operate under one industry segment. Management believes there are viable real estate prospects in the current market and has taken steps to position the Company to take advantage of all opportunities as they become available.

STRATEGIC DIRECTION

Imperial's Board of Directors along with Management are focused on the real estate market throughout Alberta and Canada are committed to continue building a strong portfolio of investment properties.

The fundamental strategic goals that drive our company are:

<p>1 Acquire industrial properties in the most sought after areas for capital appreciation</p> 	<p>2 Acquire fully occupied, single tenanted industrial properties with long term lease agreements and rental rates commensurate with the location</p>	<p>3 Proper due diligence on all acquisitions and evaluating the strength of the tenant(s) before entering into contracts with international, national or large regional tenants.</p>
<p>4 Finance acquisitions with the lowest cost of capital available</p>	<p>5 Maximize the revenue potential of each asset in its region</p> 	<p>6 Maintain our assets to high standards including structural, mechanical and cosmetic to showcase our existing properties to prospective new tenants or purchasers</p>
<p>7 Achieve a defined rate of return on each asset</p>	<p>8 Preventative maintenance on the properties to reduce operating costs and to maximize longevity of the buildings</p>	<p>9 Dispose of older assets that may have reached their maximum earning potential to reduce the overall age of the properties in the portfolio</p> <p>10 Charitable giving in the communities where the Company does business</p> 

Imperial's team of professionals are dedicated and motivated to grow our real estate portfolio and earn value for our shareholders. With a relatively small share base for a real estate company of our size, Management has no immediate plans to issue new shares which would dilute an investor's holdings. We believe in building value in those shares through a commitment to acquire and develop high quality properties and gain capital appreciation to benefit our shareholders. As part of our strategy, we would consider the disposition of properties where the Company believes that we have maximized their potential and its disposition would be beneficial to the Company.

KEY PERFORMANCE DRIVERS

► **Imperial Equities continues to engage a dedicated team** of professionals to manage and oversee the business activities. The CEO and CFO have been with the Company since going public 18 years ago. There is a strong Board of Directors with significant real estate experience to guide decisions surrounding strategic direction and achieving the goals and objectives of the Company. This dedication and professional experience of Imperial's management team has helped the Company achieve positive earnings every quarter the Company has been in business.

Management monitors the success of Imperial by measuring how well we are meeting our strategic directives. External performance drivers that affect our business include the overall economic health of industries operating in the province of Alberta. Alberta is reliant on the oil industry to a large degree and we are careful to

select tenants that we feel are best able to weather an economic downturn. This assessment will include the size of the tenant, the length of time they have been in business, their operations and exposure to the oil and gas industry; all of these factors will be a part in our evaluation of the strength of their lease covenant. Another external driver to our success is interest rates related to financing of our properties. The investment properties are financed with conventional mortgages that leave the Company with an exposure to possible increases in interest rates, affecting our operating income and cash flow. We have been fortunate to consistently have lower weighted average interest rates each quarter since the inception of the Company. For the foreseeable future, the Company does not consider rising interest rates to have a significant impact on the operating cash flows.

Internal performance drivers that measure our strategic objectives include the following:

1
Maximizing the cash flow from operations to ensure funding for growth opportunities



2
Selecting mortgage terms that provide a low cost of capital and utilizing debt leverage opportunities

3
Monitoring the quality of tenants in the portfolio to reduce the risk of defaults on leases

4
Maintain high occupancy rates to recover carrying costs of the properties



5
Ensure that maintenance on the properties is done to high standards involving monitoring the quality of work provided by our business partners while ensuring the costs are competitive



6
Maximize the revenue per property and secure long lease terms to reduce the turnover of tenants



7
Minimize higher rate short term borrowings to reduce the cost of capital

SUMMARY OF PERFORMANCE INDICATORS

FOR THE YEARS ENDING SEPTEMBER 30



	2016	2015
Number of leasable properties	17	17
Total leasable square feet	629,757	569,027
Occupancy year to date	99.3%	100%
Average lease term to maturity in years	4.56	5.56
Total square footage of leases up for renewal In the next twelve months	103,662	14,126
% operating cost recoveries to operating costs	82%	86%
Weighted average interest rates on mortgages	3.10%	3.56%
Other financing	NIL	\$2,925,000
Number of properties held for future development	3	4

► **Total leasable square feet had a net increase of 60,730 square feet in 2016. The Company sold the only property that was classified as office space which had 14,270 square feet, and acquired a 75,000 square foot industrial building in Edmonton.**

There are five leases up for renewal in the next twelve months totalling 103,662 square feet. Typically, the landlord and tenant will begin to negotiate a renewal of the lease within 180 days of the lease expiry. One lease with 2,396 square feet was up for renewal at September 30, 2016. The existing tenant is overholding and will likely remain on a month to month basis. There were two leases renewed during 2016.

AVERAGE ANNUAL LEASE RATES PER SQUARE FOOT

► **Increases in the average lease rates for 2016 compared to 2015 are due to rental increases in the contracted revenue stream.**

	2016	2015
Edmonton and surrounding area, Alberta	\$ 10.48	\$ 10.07
Red Deer, Alberta*	\$ 24.19	\$ 23.95
Fort Saskatchewan, Alberta*	\$ 43.77	\$ 42.94
Fort McMurray, Alberta	\$ 46.27	\$ 45.65

**Leases include a large land component which skews the average rate per square foot.*

LEASE PROFILES

TOTAL SQUARE FEET OF LEASED SPACE

SINGLE TENANT BUILDINGS	EXPIRY YEAR
-	2016
93,254	2017
16,758	2018
22,939	2019
25,580	2020
33,500	2021
95,694	2022
58,393	2023
43,396	2024
26,400	2026
75,000	2028
25,024	2029
515,938	Weighted Average Remaining Terms 6.37 years

MULTI-TENANTED BUILDINGS	EXPIRY YEAR
4,365	2016
8,439	2017
2,431	2018
32,762	2019
64,850	2020
972	2021
113,819	Weighted Average Remaining Terms 3.30 years

► **The risks to the Company when a tenant does not renew a lease** is to absorb the ongoing operating costs of a vacant space. These costs include property taxes, insurance, utilities and any maintenance items. If a single tenant building becomes vacant, additional vacancy costs include mortgage payments, if applicable. Management works closely with tenants to ensure retention rates remain high, and operating cost recoveries are maximized.

Operating cost recoveries are budgeted annually and reconciled every 12 months on a tenant by tenant basis. All the Company's leases are triple net leases which allow the Landlord to recover operating costs. Management will decide on large maintenance items as to how it will treat the recovery of those costs from the tenant, so as not to incur hardship on their operations. Sometimes this means allowing the tenant to pay over time. Some leases have lower management fees than other leases dependent upon the responsibility of performing maintenance remaining with the tenant or the landlord. Because of these variations, there will always be a percentage of operating costs not recovered by the landlord. Historical optimal recovery percentages will be in the range of 80%-86%. Reviews of operating expense recoveries comparing budgeted to actual expenditures are done at September 30 each

year. Tenants are notified of the review and budgets for the next year are set accordingly.

Weighted average rates on the mortgages have decreased in 2016 compared to 2015 with continued lower interest rates on new and renewed financing from the Company's lenders. The Company took advantage of leverage opportunities combined with low rates to secure additional proceeds upon renewal of some of the mortgages during the current year. These additional funds were used to repay other financing that carried higher rates of interest.

Land banked for future development is in the west end of Edmonton. The Company is currently considering a 13,000 square foot building on one parcel of land, and a larger development is being considered for another location nearby. Construction has not yet begun on either development and the Company has no related commitments at this time.

There are 12.89 acres of vacant land classified as investment properties held for sale as Management is committed to a disposal plan for this property.

IMPERIAL'S INDUSTRIAL REAL ESTATE PORTFOLIO NOW CONSISTS OF HUNDREDS OF THOUSANDS OF LEASABLE SQUARE FEET THROUGHOUT ALBERTA.



PERFORMANCE HIGHLIGHTS

DURING THE YEAR



Earnings per share, generated \$.46 per share from continuing operations plus \$.12 from discontinued operations on total comprehensive income of \$5,536,946 (2015-\$\$.69 per share on total comprehensive income of \$6,646,113).

The Company **sold its pharmaceutical operations** at December 31, 2015 to allow management to focus on growth opportunities in real estate.

Real estate properties have a **99.3% occupancy rate** year to date at September 30, 2016 (100% at September 30, 2015).

The Company **completed a sale leaseback agreement** with a Scotland based multi-national company, Weir Group PLC. The 75,000 square foot building is situated on 6.8 acres of prime industrial property in south Edmonton.

New long term mortgage financing of **\$16,594,000** received in Q1 2016 was used to pay out existing mortgages and current debt liabilities.





Two mortgages were renewed this year at lower rates of interest.

The new acquisition at September 30, 2016 added an additional **\$8,900,000 of financing at the lowest interest rate ever realized in the Company.**

The **weighted average rate** of all the mortgages is at an historic low of **3.10%** (September 30, 2015 - 3.56%).

Net valuation gains on investment property were **\$1,135,699** this year; primarily the result of increasing revenues on the properties due to contracted lease rates.

The Company's **liquidity position improved** during the current year. The quick ratio is 3.32 at September 30, 2016 (cash, receivables and payables) compared to 1.23 at September 30, 2015.

The Company's total **equity** is \$8.15 per share at September 30, 2016 (\$7.54 at September 30, 2015).



PERFORMANCE RESULTS for the year



RENTAL REVENUE

(Thousands)



PROPERTY NOI

(Thousands)



ADJUSTED EBITDA

(Thousands)



► **Property net operating income (“NOI”) for the real estate** segment is defined as net rental income from properties which includes property revenue (excluding amortization of tenant inducements) less direct property operating expenses including property taxes, insurance, management fees and maintenance. Management believes that this is a useful measure of cash available from operations to assess performance of the real estate portfolio and measure the income generated by properties to support finance repayments. Commercial property net operating income, together with capitalization rates applied on a property by property basis, is widely used to value investment property in the real estate industry.

► **Management is of the opinion that ADJUSTED EBITDA** as calculated below is another useful measure for investors to use when evaluating the ability of the Company to generate cash to service interest on debt, and facilitate growth in the Company.

Income taxes are removed from the earnings because they often include deferred taxes which are non-cash. Removing the interest expense also allows an investor to see the operating cash flows from properties without the influence of how the Company has financed its properties. When comparing other real estate companies, the differences in how Companies finance their assets, together with their individual tax situations are taken out of the equation.

► **NOI and ADJUSTED EBITDA are non-IFRS financial** measures used by most Canadian real estate companies and should not be considered as an alternative to net income or comprehensive income, cash flow from operating activities or any other measure prescribed under IFRS. This measure does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

ADJUSTED EBITDA AT SEPTEMBER 30

	2016	2015
Net income from continuing operations	\$ 4,413,983	\$ 6,626,366
<i>Add (subtract):</i>		
Valuation gains on investment property	(1,135,699)	(5,018,680)
Straight-line rental revenue	(112,541)	(251,853)
Interest	2,365,610	2,731,633
Amortization	370,164	319,678
Income taxes	1,397,846	2,582,287
ADJUSTED EBITDA from continuing operations	\$ 7,299,363	\$ 6,989,431

RESULTS OF CONTINUING OPERATIONS AND CASH FLOWS

For over two years the Company has enjoyed better than 99% occupancy in its properties. There have been no significant changes in operations for each quarter during 2016 or 2015, except for fluctuations in earnings resulting from the fair valuations of investment properties.

Net valuation gains (losses) per quarter:

				2016
Q1 2016	Q2 2016	Q3 2016	Q4 2016	TOTAL
\$367,076	\$491,789	(\$436,113)	\$739,947	\$1,135,699

				2015
Q1 2015	Q2 2015	Q3 2015	Q4 2015	TOTAL
\$2,573,336	\$1,404,526	(\$168,615)	\$1,209,433	\$5,018,680

All other inputs being equal, an increase in property revenue for the ensuing twelve months will have a positive impact on the fair values. With continued low interest rates, investors are eager to expand their portfolios creating a healthy, competitive environment in which to acquire property which should keep the cap rates very competitive. During the 2016 reporting period, Management decided to marginally increase the cap rates on some of the properties where the Company believes property values and lease rates may decrease slightly; the result of more product coming on stream from developers eager to lease up vacant buildings. The net losses at Q3 are the result of small increases in the revenue stream which typically cause fair value increases, netted against items capitalized. Capitalized building improvements are typically performed in the warmer summer months of Q3. The capitalized building improvements generally exceed any incremental fair value increase as a result of the improvements, and will therefore have the effect of a negative adjustment to the properties' value, to bring it to fair value at the reporting date.

During Q4 2016 the Company leased the only vacant space in the portfolio which was vacant for 5 months. The new tenant lease and revenue stream increased the value of the property in addition to other property increases where revenue increased.

In the prior year, some of the properties had a large increase in value due to the renewal of leases at higher market rates than the previous leases generated.

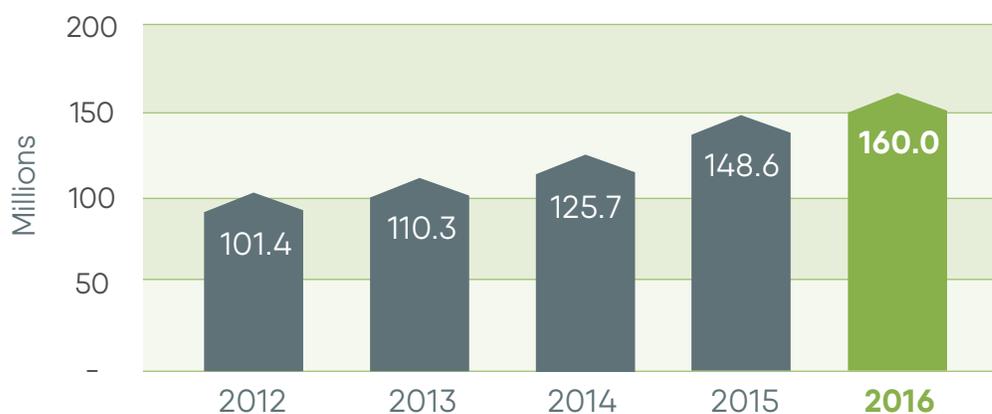
► **Income from operations** at September 30, 2016 is up over September 30, 2015 with the added benefit of a full year of revenue generated from the Essential Energy building acquired in Q1 of 2015.

► **Administrative** expenses were \$992,405 at September 30, 2016 compared to \$1,000,718 at September 30, 2015. Non-recurring expenses in the prior year included consulting fees that were offset by an increase in accounting fees this year. Administrative expenses include professional fees, accounting fees, wages and benefits, rent, charitable donations, costs associated with communications to shareholders, listing fees and other sundry items. Charitable donations are \$71,900 this year compared to \$58,500 last year as the Company continues to support the community in which it operates. Management has a strong belief in giving back to those initiatives that give their time and energy to better enhance the community we live in, as well as the lives of those less fortunate residing within.

► **Amortization** includes amortization of deferred leasing costs, intangible assets and transaction costs associated with new mortgages. Investment property leasing fees charged on the signing of new tenants or on lease renewals are amortized over the life of the respective leases varying from one to fifteen years. During Q1 2016 the Company fully amortized the intangible assets that had less than one year remaining in their useful life at September 30, 2015. Amortization of transactions costs associated with financing is higher this year as the Company obtained five new mortgages and renewed an additional two mortgages this year, compared to obtaining one new mortgage in the prior year.

FAIR MARKET VALUE of INVESTMENT PROPERTY

(excluding property held for sale) – at September 30



Market values at each reporting date are estimated by management using the actual annual contracted current year revenue stream less a reserve allowance, applying a capitalization rate to this normalized income, and deriving a fair value. Capitalization rates used to estimate fair market value consider many factors including but not limited to; location, size of land, site coverage, strength of tenant, term of lease, lease rate, age of building, size of building, construction of building and any special features of the building. Given that not all industrial properties are the same, management will apply these factors to each property in determining a capitalization rate. If a property has all favourable factors, the valuation will likely be calculated using the low end of the capitalization rate range.

Lower capitalization rates are applied to the Company's class

A buildings that have strong tenants, long term leases and are typically of newer construction. Higher capitalization rates apply to the Company's older buildings and take into consideration whether the property is multi tenanted, the strength of the tenants and location of the asset.

At each reporting date this calculation method is performed on all the investment properties except for the Oliver Crossing property and vacant land. The market value of Oliver Crossing is calculated based on the total square footage of land multiplied by a dollar value per square foot. This property is in a high demand area of Edmonton situated on the fringe of downtown. The current buildings on the property are aged and the real property value is not derived from the buildings and their lease income, but rather is derived from the land value in this highly sought after area.

Construction of new buildings are valued at cost until the earlier of the date that fair value can be reliably determined or the projects

are complete. Vacant land included in investment property, is valued using management's research of similar vacant land that has sold recently, or is available for sale.

At September 30, 2016, the Company acquired the Seaboard Canada property in Edmonton for \$12,436,069, and disposed of one property recorded at a value of \$3,151,308. In calendar 2015, there were two major acquisitions that totalled \$36 million; Essential Energy building in Red Deer, Alberta and the Strongco building in Fort McMurray, Alberta.

► **Interest expense** on mortgages and other financing was \$2,365,610 at September 30, 2016 compared to \$2,731,633 at September 30, 2015. In the current year, the Company received new mortgage financing at lower annual rates and repaid other financing that had an 8% annual rate of interest. The result is lower interest expense and an increase in the Company's interest coverage ratio.

SEPTEMBER 30	2016	2015
ADJUSTED EBITDA	\$7,299,363	\$6,989,431
Interest expense	\$2,365,610	\$2,731,633
Interest coverage ratio	3.09	2.56
Minimum threshold	1.50	1.50

The adjusted EBITDA is used to show cash generated from operations before interest and income taxes and non-cash items on the statement of earnings. This is the amount of cash the Company has available to service the interest on its debt. The goals of the Company include maintaining strong operating cash flows to fund further growth and generate cash that well exceeds finance obligations and Management's minimum interest coverage threshold noted above. The Company continues to achieve both goals.

CASH FLOWS FROM CONTINUING OPERATIONS

► **Cash inflows from operating activities** were \$6,867,695 at September 30, 2016 (September 30, 2015 – inflows of \$7,886,120). The Company continues to generate positive cash from operations to cover day to day expenditures and bank cash for future opportunities. Non-cash working capital figures include changes in receivables and payables. At September 2016, non-cash working capital was \$140,842 compared to \$1,362,147 at September 30, 2015. Removing the non-cash working capital from cashflows from operations, shows a positive increase in cashflow in the current year.

► **Cash outflows from real estate investing** were \$10,075,843 at September 30, 2016 (September 30, 2015 – (\$15,676,769)). At September 30, 2016, there are property improvement expenditures in the amount of \$364,194 and tenant inducements of \$400,000. At September 30, 2016, the Company acquired a property in Edmonton for \$12,436,069 and sold one property for net proceeds of \$3,190,740. In the prior year, the Company purchased the Essential Energy building for an outflow of cash of \$15,537,606.

► **Net cash inflows from financing** were \$778,003 at September 30, 2016 compared to cash inflow of \$7,699,274 at September 30, 2015. During Q1 2016 the Company took advantage of increased equity on four properties by obtaining four new mortgages and repaying the principal balances of three of the mortgages at their term dates. The net proceeds of the new mortgages were used to repay other financing that had a balance at September 30, 2015 of \$2,925,000. Additionally, two lines of credit with combined balances of \$9,756,847 were paid in full in Q1 2016. In the current year, the Company was able to renew two mortgages for a further term of

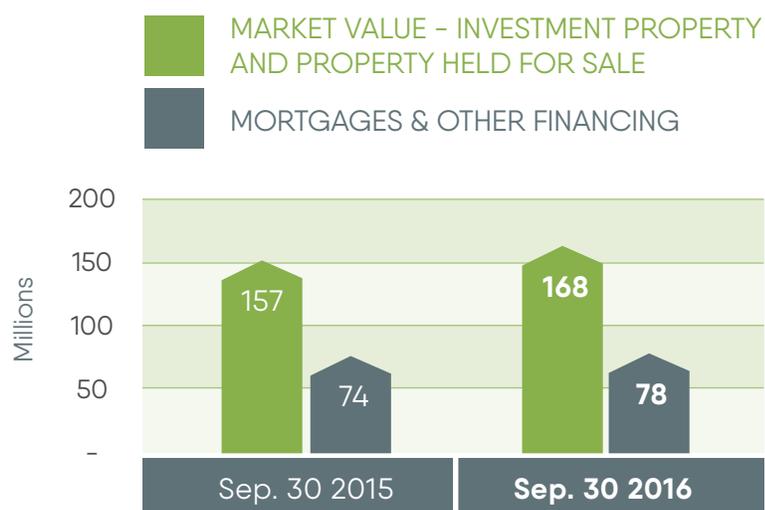
five years at rates below 3%. At September 30, 2016, the Company also placed a mortgage on the newest acquisition at that date. Total proceeds from mortgage financing and refinancing during the year were \$25,494,000. The repayment of principal on mortgages during the current year was \$11,459,756. The new mortgage financing decreased the weighted average rate of interest on the mortgages to 3.10% at September 30, 2016, from 3.56% at September 30, 2015. The benefit derived from these lower rates will be evident over the next year as interest expense will decrease, freeing up more cash flow from financing activities.

Transactions costs associated with new mortgages totalled \$151,040 at September 30, 2016 compared to \$50,569 at September 30, 2015. These costs are amortized over the terms of the respective mortgages and are shown net of the mortgages on the consolidated statements of financial position.

Throughout the current year, the Company purchased 106,400 common shares under the normal course issuer bid for a total cost of \$469,527. In the prior year 92,100 shares were purchased for a total cost of \$405,938.

► **Net cash inflows from discontinued operations** (the sale of IDC1) were \$3,535,460. This figure represents the sale proceeds received to date less disposition costs, income taxes, return of the shareholder loan and operating activities to the date of sale. Total net cash inflows from continued and discontinued operations are \$1,105,315 at September 30, 2016 (September 30, 2015 – net inflows were \$266,812).

EQUITY IN INVESTMENT PROPERTIES HAS
INCREASED \$7,310,601
 SINCE SEPTEMBER 30, 2015



Investment properties and investment properties held for sale include the fair value of the properties at the reporting date as valued by Management, including the balance of straight line rent receivables, unamortized deferred leasing costs and unamortized tenant inducements.

The increase in the investment properties since September 30, 2015 is attributed to the following:

▶ a decrease in the balance of deferred leasing after amortization	\$ (199,170)
▶ an increase in the straight-line rent receivables	112,541
▶ capital expenditures on properties	364,194
▶ tenant inducements after amortization	372,727
▶ fair value net increases	1,135,699
▶ property acquisition	12,436,069
▶ sale of investment property	(3,151,308)
Total increase September 30, 2015 to September 30, 2016	\$ 11,070,752

▶ **Loan receivable** at September 30, 2016 of \$482,063 relates to the sale of IDCI at December 31, 2015. This loan is net of a discount of \$17,937 and is due December 31, 2017. The current portion of the loan receivable in the amount of \$496,362 is also due from the purchaser. This current loan is shown net of a discount of \$3,638 and is due December 31, 2016. The loan is non-interest bearing and therefore discounted and amortized over the term. The amortized discount is shown as interest income in the consolidated statements of comprehensive income.

► **Trade receivables** at September 30, 2016 in the amount of \$110,585 include property operating expense revenue adjustments made at year end when the budgeted costs are compared to the actual costs. Refunds are credited to the tenant accounts where budgeted costs exceeded actual costs, and tenants that were undercharged are billed accordingly. One tenant has rental arrears and the Company continues to work with this tenant until their cash flow improves and they can bring their account current. At September 30, 2015, receivables included the pharmaceutical segment, IDCI, which was sold at December 31, 2015. The balance of tenant receivables at September 30, 2016 are considered collectible.

► **Prepaid expenses and deposits** have a balance at September 30, 2016 of \$494,762 compared to \$523,728 at September 30, 2015. Prepaid expenses include property insurance, property taxes and a deposit with a municipality. At December 31, 2015, prepaid expenses belonging to IDCI were acquired by the purchaser.

► **Mortgages** at September 30, 2016 have a balance of \$75,593,117 (\$61,558,871 - September 30, 2015). During the current year, the Company received proceeds from five new mortgages totalling \$25,494,000 and repaid three mortgages that were up for renewal with combined principal balances at September 30, 2015 of \$6,403,942. New mortgage proceeds were used to repay two lines of credit with combined balances of \$9,756,847, and repay other financing outstanding in the amount of \$2,925,000.

During Q2 2016 two mortgages were renewed for a further term of five years at rates below 3%.

At September 30, 2016, there are four mortgages up for renewal in the next twelve months with combined principal balances of \$14,222,313 which are shown as current liabilities. One of the mortgages with a term date of October 1, 2016 has been renewed for a further term of five years at a lower rate of interest than was previously attained. The Company expects to renew the other four mortgages when they come due.

Netted against mortgages on the statement of financial position is the balance of unamortized transaction costs of \$215,323 at September 30, 2016 (September 30, 2015 – \$120,689).

► **Bank operating facilities** at September 30, 2016 have a balance of \$2,502,387 with one of the Company's major lenders. This credit facility assisted with the acquisition of investment property on September 30, 2016. At September 30, 2015, the balance on this line of credit was \$7,997,378. The Company currently has two credit facilities at September 30, 2016, one has a limit of \$1,800,000 (September 30, 2015 - \$1,800,000) and bears interest at a rate of prime plus 1% unchanged from the prior year. This line of credit is secured by a specific revenue producing property with a fair value of \$8,400,000 at September 30, 2016 (September 30, 2015 - \$8,400,000). The balance on this line of credit is Nil at September 30, 2016 (September 30, 2015 - \$1,759,469).

A second line of credit which was paid out during Q1 2016 was subsequently renegotiated with a reduced limit of \$3,000,000 (September 30, 2015 – the limit was \$8,000,000). This line of credit incurs standby fees on any unused portion of the facility. This revolving demand facility is available to assist with property acquisitions, payment of development costs, and general corporate purposes. The balance on this line of credit at September 30, 2016 is \$2,502,387.

An additional line of credit at September 30, 2015 with a balance of \$2,663,411, related to the pharmaceutical company IDCI, which was sold on December 31, 2015. This line of credit was part of the liabilities assumed by the purchaser.

Specific details of the credit facilities and associated loan covenants can be found in note 11 of the consolidated financial statements. The Company was not in breach of any loan covenants throughout both reporting years.

CREDIT FACILITIES

	September 30, 2016	September 30, 2015
Bank credit facilities	\$ 4,800,000	\$ 9,800,000
Amounts drawn on facilities	(2,502,387)	(9,756,848)
Available credit facilities	\$ 2,297,613	\$ 43,152

► **Payables and accruals** at September 30, 2016 have a balance of \$818,739 (September 30, 2015 -\$6,405,241). At September 30, 2016, the accruals include prepaid rents from tenants of \$176,977, accrued loan interest of \$176,141, the current portion of tenant security deposits of \$79,619 and regular trade payables. Payables and accruals in IDCI at September 30, 2015 were assumed by the purchaser at the sale date of December 31, 2015.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS FROM CONTINUING OPERATIONS

	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
REVENUE	2,648,633	2,684,838	2,712,959	2,703,143	2,733,741	2,822,211	2,631,219	2,582,008
TOTAL COMPREHENSIVE INCOME	1,646,469	717,301	1,424,335	625,878	845,077	788,511	2,321,909	2,670,870
EPS - BASIC	0.17	0.08	0.15	0.06	0.09	0.08	0.24	0.28
EPS - DILUTED	0.17	0.08	0.15	0.06	0.08	0.07	0.23	0.28

QUARTERLY CHANGES IN THE REVENUE

► **Investment properties remained 100% occupied during** all the quarters above except for Q3 and Q4 2016 where there was one vacant space of 10,408 square feet available for lease. This space was leased during Q4 2016 with revenue beginning subsequent to this year end. This new lease brings the portfolio back to 100% occupancy. The loss of the tenant in Q3 2016 is reflected in the slight drop in revenue in Q3 and Q4 2016 from Q2 2016. Additionally, the drop in revenue in Q4 2016 is the result of the amortization of tenant inducements that are netted against revenue over the term of the lease. Fluctuations in revenue quarter to quarter will be the result of an increase in budgeted operating expense recoveries, increases due to reconciliations of operating costs to budget at each Q4, and increases in straight line revenue due to lease renewals with increases in the rent.

The Company reports straight line revenue which is the average revenue generated per property over the term of the respective lease. Therefore, quarterly changes in revenue are not material until new tenants begin paying rent.

In the prior year at Q3 2015 operating expense recoveries were recorded for an annual liability due from a tenant for property taxes. At Q4 2015 the Company reversed that estimate from one tenant. This tenant opted to pay the taxes directly to the municipality and therefore the Company did not have to record the revenue recovery and associated expense. The majority of tenants pay their property taxes monthly to the Company, and the Company pays the municipalities annually in June when the taxes are due.

Real estate properties
have a **99.3%**
occupancy rate
year to date at
September 30, 2016



QUARTERLY CHANGES IN TOTAL COMPREHENSIVE INCOME AND EARNINGS PER SHARE (BASIC AND DILUTED) FROM CONTINUING OPERATIONS

► **With 100% occupancy in all the quarters above except Q3 and Q4 2016** where there was a small vacancy, the income from operations remained very steady. The large fluctuations in comprehensive income are caused by the revaluations of the investment properties.

Subsequent to Q2 2015, the Company has lower total comprehensive earnings than the previous quarters as there were not large increases in the fair value of the investment properties, which had driven the high incomes in the previous quarters of 2015. Cap rates remained steady during 2015 with increases in the fair values being the result of higher contracted revenue streams in the following twelve months.

During 2016 the Company decided to increase the cap rates on some of the properties where there was a possible risk of the tenant having some exposure to the oil industry. There was only one lease renewal that positively affected the fair value of the associated property during 2016. Affecting fair values are changes in the contracted revenue to be received in the next twelve months as well as changes in the balances of straight line rent, deferred leasing, tenant inducements, capitalized expenditures and changes to cap rates. These factors are inputs that contribute to the fair value increases or decreases of the investment properties.

The Company is required to capitalize property taxes on vacant land which will increase the value of the land beyond the fair value per acre. To bring the value back in line with the estimated market price per acre, the Company must show a fair value decrease. Capital expenditures made to the investment properties do not necessarily increase the immediate value of the property and sometimes the fair value must show a negative adjustment to bring the asset to the proper market value. These decreases are netted against increases. Overall, there continues to be net valuation gains on a year to date basis. Throughout this fiscal year, the Company has not experienced any notable tenant default due to an economic downturn brought about by the lower price of oil.

Q4 2016 had revaluation gains of \$739,947 compared to negative valuations in the prior quarter. Q3 2016 had a net decrease of \$463,113 in the fair values as a property that was under contract to sell had to be reduced in value to reflect the disposition costs. The sale was completed in Q4 2016.

Q2 2016 had an increase in valuation gains of \$491,789 due to large increases in contracted revenue for the next twelve months. Q2 2015 shows lower comprehensive income compared to Q1

2015 where investment property revaluations were \$2,573,336 before tax, compared to \$1,404,526.

The fluctuations in earnings per share figures are directly related to the operational activities described herein. There have been no significant changes to the outstanding shares in the last eight quarters.

OUTSTANDING SHARE DATA

► **The Company is authorized to issue an unlimited number of common shares.** Total issued and outstanding shares at September 30, 2016 are 9,640,642 (September 30, 2015 – 9,747,042). During the current year, the Company renewed its normal course issuer bid to have an expiry date of August 30, 2017. Under the previous and current bids during the year, the Company purchased 106,400 shares for a total purchase price of \$469,527. Of the shares purchased 75,600 have been cancelled and the balance are held in treasury. The excess purchase price paid over the cost of the issued shares, was \$282,588. This amount was charged to retained earnings.

During the prior year, 92,100 shares were purchased at a total cost of \$405,938. All the purchased shares were cancelled. Also during the prior year 200,000 options were exercised by a director, and 94,000 options were exercised by a named executive officer. Total proceeds from exercise of the options were \$808,500.

At September 30, 2016, there are 475,000 share options issued and outstanding under the Company's stock option plan (September 30, 2015 – 475,000). The options entitle the holder to one common share in exchange for each option held at an option price of \$4.25. The options expire August 26, 2019.

DIVIDENDS

► **The Company issued a press release January 14, 2015** announcing the suspension of the dividend payments until further notice, due to the uncertainty surrounding the Alberta economy and oil prices. Dividend distribution is determined by the board of directors after evaluating the earnings of the Company and the overall outlook for the economy. Dividends are declared and paid, based on the common shares owned at the record date. Shareholders are cautioned that past issuance of dividends by the Company does not guarantee that future dividends will be issued.

Management and the board of directors have not set a date for the resumption of a dividend. Currently, it is their opinion that the Company should focus on reserving cash balances to position itself for opportunities that arise to increase the portfolio, and create shareholder value through capital appreciation of the properties.

RELATED PARTY TRANSACTIONS

PAID TO COMPANIES OWNED OR CONTROLLED BY A DIRECTOR, MAJORITY SHAREHOLDER AND OFFICER

► **Property management and maintenance fees** in the amount of \$588,432 (2015 - \$533,202) were paid to Sable Realty & Management Ltd., (“Sable”) a company owned 100% by Sine Chadi, a director and officer of the Company. Fees paid to Sable are pursuant to a contract with Imperial Equities Inc. to bill for the management and maintenance of its properties for a fee of 4% of rents collected. Maintenance performed by Sable’s property management team is charged at a competitive rate of \$50 per hour for labour, plus equipment and parts charges. Sable provides its own trucks, tools and equipment to perform property maintenance. Imperial Equities recovers 100% of the maintenance fees from the tenants under their common area costs. Only three leases have no management fee recoverable and the remaining leases have a provision for the recovery of 2%-5% of minimum rent, or rent, which would include minimum rent and operating expense revenue. The percentage of management fees negotiated and collectible under the leases varies based on the amount of work involved in maintaining the property.

► **Leasing, acquisition and disposition fees** in the aggregate of \$427,867 (2015 – \$191,137) were paid to North American Realty Corp. (“NARC”) a Company owned 100% by Sine Chadi’s spouse, Seham Chadi. A disposition fee of \$159,792 was paid upon the sale of IDCI at December 31, 2015 and \$102,000 was paid upon the sale of the M&D Drafting building. There were two lease renewals and one new lease during the current year and fees relating to those leases were \$43,574. At September 30, 2016, a new property was acquired in Edmonton and the total fee for the acquisition was \$122,500. In the prior year \$152,000 was paid for the property acquisition in Red Deer, Alberta. During the prior year one lease was renewed at a fee of \$39,137. Fees and commissions are in line with current industry standards and are comparable to similar transactions undertaken by the Company with unrelated parties.

► **Vehicle leases** were paid to a North American Mortgage & Leasing Corp. (“NAML”) a company owned 100% by Sine Chadi. The vehicle leases were contracted with IDCI and the vehicles were used for delivery of pharmaceuticals. Total lease costs paid in Q1 2016 at December 31, 2015 were \$5,226 (September 30, 2015 - \$39,700). All vehicles leased to IDCI were returned to NAML at December 31, 2015.

► **Office rent, parking and warehouse lease space** were paid to Sable in the aggregate amount of \$125,919 (2015 – \$123,419). Imperial Equities shares office space with Sable and pays \$8,000 per month. Warehouse lease space to store materials owned by Imperial, is paid monthly to Sable for market rate leased space in an industrial warehouse bay owned by Sable.

► **Fees** paid in the amount of \$183,000 (2015 - \$140,000) were paid to Sable for the services provided by the Company's Chief Financial Officer who is not paid directly by Imperial Equities. The increase this year is the first increase in three years. The increase is to ensure the Company remains competitive and in line with industry standards.

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.

Contracts with Sable and NARC have been in place since 1999 with no changes to the terms. They can be viewed on-line at www.Sedar.com. These contracts and the associated fees and rates were approved by the board of directors.

PAID TO DIRECTORS

► **Directors' fees paid for attending directors' meetings were** \$46,500 for the year ending September 30, 2016 (September 30, 2015 - \$18,000). During the current year, the board of directors agreed to increase the fees for attending meetings to be more in line with other companies in the industry. Fees per meeting are currently \$2,500 compared to \$1,000 in prior periods. At the annual general meeting on March 24, 2016, the shareholders approved the addition of one new member to the board of directors for a total of five members. The fees paid are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations.

COMPENSATION TO KEY MANAGEMENT PERSONNEL

► **The Company's key management personnel include** the President Sine Chadi who is also a director and significant shareholder of the Company. Total salary paid to Mr. Chadi at September 30, 2016 was \$300,000 (September 30, 2015 - \$300,000). Mr. Chadi's salary has remained the same since 2011.

INTERIM FINANCING FROM A COMPANY OWNED 100% BY A DIRECTOR AND MAJOR SHAREHOLDER

► **Interim financing in the amount of \$100,000 was received** during Q1 2016 from North American Mortgage Corp.; a company owned 100% by Sine Chadi. The balance outstanding to this company at September 30, 2015 was \$1,325,000. The total amount owing was repaid in full during Q1 2016 with interest at a rate of 8% per annum. Total interest paid during the period was \$5,415.

INTERIM FINANCING FROM THREE DIRECTORS AND SHAREHOLDERS

► **Interim financing in the amount of \$400,000 was received from** a director and shareholder of the Company during Q1 2016. A total of \$1,000,000 was outstanding at September 30, 2015 to two directors. The balances owing were repaid in full during Q1 2016 with interest at a rate of 8% per annum. Total interest paid during the period was \$16,763.

INTERIM FINANCING FROM A COMPANY UNDER COMMON CONTROL

► **Interim financing in the amount of \$250,000 outstanding** at September 30, 2015 was received from Imperial Land Corp., a company that is under common control by Sine Chadi. During Q1 2016, the balance was repaid with interest at a rate of 8% per annum. Total interest paid was \$4,093.

LIQUIDITY, CAPITAL RESOURCES AND SOLVENCY

THE COMPANY'S LIQUIDITY POSITION	September 30, 2016	September 30, 2015
Cash and cash equivalents	\$ 2,115,033	\$ 1,009,718
Receivables	110,585	6,880,504
Current loan receivable	482,063	-
Inventory	-	4,620,332
	\$ 2,707,681	\$ 12,510,554
Payables and accruals	\$ 818,739	\$ 6,405,241
Bank operating facilities	2,502,387	12,420,259
Income taxes, net	656,343	471,104
	\$ 3,977,469	\$ 19,296,604
LIQUIDITY RATIO	.68	.65

CASH FLOWS CONTINUING OPERATIONS

YEAR ENDING	September 30, 2016	September 30, 2015
Cash flows from operations	\$ 6,867,695	\$ 7,886,120
Cash outflows from investing	(10,075,843)	(15,676,769)
Cash flows from financing	778,003	7,699,274
Net cash outflows for the period	\$(2,430,145)	\$ (91,375)

The majority of the balance of receivables, payables, inventory and one of the lines of credit at September 30, 2015, were included in the sale of IDC1 at December 31, 2015. Using the proceeds of new mortgages received during the current year, the Company reduced the amounts owing on the bank credit facilities and increased the liquidity since September 30, 2015.

The Company continues to have **sufficient cash flow from operations** to fund day to day operations and provide additional funds for growth.

Cash outflows from investing include \$364,194 of improvements to the properties and \$400,000 paid in tenant inducements for the year ended September 30, 2016 (September 30, 2015 - \$350,022).

During the current year, property acquisition costs of \$12,436,069 were offset by proceeds from the sale of property of \$3,190,740. Direct leasing costs for lease renewals at September 30, 2016 were \$66,320 (September 30, 2015 - \$39,141). In the prior year, the Company purchased investment property for \$15,537,606 using conventional mortgage financing, and related party financing.

During the current year, **financing activities** included receiving new mortgage proceeds of \$25,494,000 from one of the Company's current lenders. Of this amount, three mortgages that were up for renewal were paid in full upon maturity. The net proceeds were used to repay other financing outstanding during the period of \$3,425,000, and repay two of the Company's credit facilities that had combined balances outstanding of \$9,756,847.

MORTGAGES AT SEPTEMBER 30, 2016

BALANCE	RATE	MONTHLY P & I	YEAR OF MATURITY	PRINCIPAL DUE BY YEAR
\$ 7,814,010	3.13%	\$ 64,716	2016	\$ 7,814,010
\$2,779,193	2.81%	\$ 21,612	2017	
\$ 853,823	3.53%	\$ 14,048	2017	
\$ 2,775,287	3.49%	\$ 25,310	2017	
\$ 2,433,395	3.36%	\$ 21,909	2017	\$ 8,841,698
\$ 837,714	3.61%	\$ 11,174	2018	
\$ 955,634	3.10%	\$ 8,333	2018	\$ 1,793,349
\$ 2,062,814	2.62%	\$ 17,532	2019	
\$ 2,913,260	2.63%	\$ 20,329	2019	
\$ 2,312,338	2.63%	\$ 16,134	2019	
\$ 10,266,587	3.33%	\$ 62,733	2019	
\$ 11,520,792	3.45%	\$ 72,017	2019	\$ 29,075,791
\$ 6,750,298	2.88%	\$ 47,229	2021	
\$ 8,900,000	2.47%	\$ 59,166	2021	
\$ 4,228,624	2.98%	\$ 30,201	2021	
\$ 6,543,036	2.98%	\$ 46,731	2021	\$ 26,421,958
\$ 1,646,312	5.00%	\$ 21,263	2024	\$ 1,646,312
\$ 75,593,117		\$560,338		\$ 75,593,117

Mortgages on the investment properties have term dates varying to 2024. The weighted average interest rate on the mortgages continues to decline each year as mortgages are renewed at lower rates of interest. At September 30, 2016, the weighted average rate is 3.10% (September 30, 2015 - 3.56%). There are four mortgages up for renewal in the next twelve months with a combined principal balance of \$14,222,313 at September 30, 2016. One of the mortgages with a maturity date of October 1, 2016 was renewed for a further five years at a lower rate of interest than was attained in the previous term. The remaining mortgages will be renewed as they mature.

Total monthly principal and interest payments are \$560,338 or \$6,724,056 annually. Cash flow from continuing operations at September 30, 2016 is \$6,867,695, plus current cash of \$2,115,033, means the Company has excess funds to cover the annual debt repayments.

Based on the fair values of the investment properties at September 30, 2016 and the related debt including mortgages and the bank operating facilities, there is equity of \$89,858,806 in the properties.

LEVERAGE RATIOS	September 30, 2016	September 30, 2015
Investment properties	\$ 159,634,487	\$ 148,563,735
Investment properties held for sale	8,104,500	8,104,500
Total investment properties	\$ 167,738,987	\$ 156,668,235
Mortgages	(75,377,794)	(61,438,182)
Other financing	-	(2,925,000)
Bank operating facilities	(2,502,387)	(9,756,848)
Total debt	\$ (77,880,181)	\$ (74,120,030)
Total equity in the properties	\$ 89,858,806	\$ 82,548,205
Debt to asset ratio	.46	.47
Interest coverage ratio	3.09	2.56

The Company was able to take advantage of continued low interest rates when refinancing mortgages as well as accessing additional capital through the appreciation of the properties. Should interest rates continue at the current level, mortgages up for renewal will likely be renewed at lower rates than are currently in place. Provided our investment portfolio continues to remain strong and interest rates remain favourable, the Company will continue to evaluate its practise of increasing leverage on the properties where available.

At September 30, 2016 and September 30, 2015 there is investment property valued at \$8,104,500 held for sale under an unconditional sale agreement. A second cash deposit on the sale in the amount of \$750,000 was due to be received in Q2 2016. The purchaser was granted an extension of 90 days to provide this additional deposit. Subsequent to this Q4 2016, the purchaser was granted a further extension to provide the additional deposit. Should the purchaser not be able to complete the sale, the current deposit of \$250,000 will be forfeited and considered earned by the Company.

During Q3 2016 the Company entered into an unconditional sale agreement to dispose of investment property valued at \$3,160,000. The sale was completed September 1, 2016 for total gross proceeds of \$3,400,000, and the mortgage on the property in the amount of \$1,532,205 was repaid in full.

The sale of IDC1 at December 31, 2015 generated an additional \$3,535,460 in cash inflows which were used to repay a line of credit in full and help reduce other financing to zero. A further \$1,000,000 due from the sale is repayable in two installments of \$500,000 each on the first and second anniversary of the sale.

In Q4 2016 the Company entered into an unconditional purchase agreement to acquire 1.84 acres of land with a 7,100 square foot building in north west Edmonton. The total purchase price of \$2,050,000 was completed subsequent to the year end with cash and available funds from a line of credit.

Subsequent to the year end the Company entered into a purchase and sale agreement to acquire land and a multi tenanted building in north west Edmonton. The total purchase price of \$9,800,000 will be completed with conventional mortgage financing, available credit facilities and related party interim financing if required. The purchase will be completed in Q2 2017.

The Company is currently looking at several build to suit opportunities on vacant land held by the Company, however there are currently no projects under construction at September 30, 2016 or the date of this MD&A.

The Company has no other commitments to purchase or sell assets, other than as disclosed above.

CRITICAL ESTIMATES OF THE CURRENT ECONOMIC ENVIRONMENT AND OUTLOOK



The economic environment the Company operates in could be adversely affected by tenants and their exposure to the price of oil. To date only one small tenant with no exposure to the oil industry has indicated they are experiencing some financial difficulty. Management is working with this tenant while they resolve their cash flow issues. The rent from this tenant is one half of one percent of monthly rents and not considered a financial threat if the tenant, in a worst-case scenario, had to vacate. Management remains cautious in its approach to evaluating opportunities with regard to the inherent risks and exposure that depressed oil prices

have created. At today's date, Imperial continues to have a strong tenant base and as with all the Company's past transactions, future opportunities will be looked at through proper due diligence, and limited risk measures.

Imperial continues to be very successful with all its financing requirements and has taken advantage of low interest rates to ensure stability for the Company, and provide the building blocks for continued growth. Risk factors still exist and are always considered when making strategic plans.



RISKS

TENANTS' PERFORMANCE, MARKET CAPITALIZATION RATES, LEASE RATES, INTEREST RATES, ENVIRONMENTAL RISK AND CYBERSECURITY RISK.

Current tenants and their exposure to market risks may impact IEI if the tenant fails to make contracted rental payments. Companies with exposure to the production and drilling of oil and their ability to weather tighter financial restrictions could have a negative effect on operations.

Imperial's real estate portfolio is predominately made up of large single tenanted buildings that are leased to multinational, national and large regional tenants. Unlike smaller local tenants these large companies tend to be more skilled in the ability to weather an economic downturn.

Most tenants have been with Imperial for several years. Notwithstanding the size of each individual tenant, Imperial runs the risk of losing such a tenant due to unforeseen and poor economic conditions.

The risk of vacancy of any leased space is the ability to continue to meet the mortgage obligations on the property as well as carrying costs including property taxes, utilities and insurance. If in an extreme case a property sat vacant, the carrying costs and mortgage payments could be paid for with existing cash flows from operations. Investment properties are 100% occupied at September 30, 2016.

Market values of the investment properties can decrease if the demand for industrial properties lease space decreases and rental rates are reduced, or capitalization rates increase.

Imperial's exposure to the market value of its real estate assets affects mortgages up for renewal. Properties with mortgages that are maturing in the next 12 months are externally appraised for their current market value. Factors that influence market value are the income generated from the property, demand, vacancy rates, term of the current lease, strength of the current tenant, age of the building and location. Imperial is not aware of any obstacles at this date that would negatively affect its ability to refinance its buildings as the mortgages come due. The Company has determined that capitalization rates used to evaluate a property have recently moved slightly upwards however the demand for industrial space is still favorable. The total fair value of the investment properties not held for sale at September 30, 2016 is \$159,634,487. The mortgages and bank operating facilities encumbered on the properties leave equity in the properties of \$89,858,806 at September 30, 2016 which Management believes will be sufficient to absorb any decline in values and support our ability to refinance.

Lease rates may adjust downward if demand for industrial lease space decreases. As demand for this type of lease space goes up so does the lease rate. In any economic downturn, we could expect that the demand for space decreases and therefore the lease rate would decrease accordingly. Imperial is mindful of these risks. The large single tenanted buildings have strong tenants in place and so far, have not indicated to management that there are any potential threats to continued tenancy. Lease renewals that took place during 2016 were at substantially higher lease rates.

Management believes that leases that are up for renewal in 2017 will be renewed at the same or higher rates than the Company is currently achieving.

Interest rates on mortgages that are up for renewal may become higher as financial institutions widen the gap on spreads or the underlying bank rates increase; however, competition within the lending industry has kept the borrowing rates low. The mortgages that were up for renewal in 2015 and early in 2016 were successfully renewed at lower rates than the prior terms. The Company tries to mitigate the risk of rising interest rates by fixing rates for longer terms and by minimizing its exposure to floating rate financing. All mortgages have fixed rates.

ENVIRONMENTAL RISK

The Company is subject to various federal, provincial and municipal laws relating to the environment. To mitigate this risk, each newly acquired property or those currently owned by the Company has undergone a thorough Phase I Environmental Site Assessment (ESA) by a qualified environmental consultant. This ESA then becomes a benchmark used in conjunction with the tenant leases which include a section outlining environmental liability. The Company then conducts a regular inspection of each property to ensure compliance.

CYBERSECURITY RISK

Cybersecurity has been identified as a risk to the Company prompting regular reviews of security measures to take appropriate steps to reduce this risk. While the Company is aware it cannot protect against all types of attacks and human error, management has an adequate defense against the most common ones.

Policies to protect the Company's data from a breach include the following:

- non-use of networks for sharing data, computer data is in locked offices with strict limited access;
- strict username and password protection including frequently changing passwords which limits the access to company information;
- only use trusted software to execute on the operating system;
- regular updates of anti-virus software, web browsing and email security software, malware security software and firewalls;
- employee vigilance against suspicious emails and attachments;
- update to new operating systems as they are made available to reduce the risk of unintentional and intentional computer infection;
- automatic software updates to ensure software currency, and reduce the risks associated with out-of-date, vulnerable software; and
- use of physical external hard drives to daily backup the system in the event that information is destroyed.

To date, the Company has not experienced any breach of its data and will continue to regularly use third party IT consultants to provide advice on hardware and security options.

PLANNED EXPENDITURES

At the date of this MD&A the Company has no other financial commitments for the purchase or sale of assets or for tenant incentives that has not already been disclosed.

There are opportunities to purchase other properties currently on the market. The Company continues to look at all opportunities and evaluate the best possible alternatives. Cash needed to fund an acquisition of property will be provided through cash flows from operations, the current bank credit facilities and securing long term financing. Related party financing is also available to the Company. Management tries to avoid related party financing as the interest rate is higher than current bank credit facilities, however, management will use this resource if necessary, until lower financing is put in place.



PROGRESS



**BY
DESIGN**



2016

CRITICAL ACCOUNTING ESTIMATES & CHANGES IN ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES

FUTURE ACCOUNTING PRONOUNCEMENTS

A FUTURE ACCOUNTING POLICIES

The Company has reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective as at the date of authorization of these consolidated financial statements. The Company plans to apply the revised standards on their effective date,

IFRS 2 *Share-based Payment* has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in June 2016. The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

IFRS 9, "Financial Instruments" will replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard includes guidance on recognition and de-recognition of financial assets and financial liabilities, extensive changes to IAS 39's guidance on the classification and measurement of financial assets, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

IFRS 15, "Revenue from Contracts with Customers" was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18 Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue-Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 16, "Leases" was issued in January 2016. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting, however, remains largely unchanged, and the distinction between operating and finance leases is retained. This standard will be effective for annual periods beginning after January 1, 2019, with early adoption permitted so long as IFRS 15 has been adopted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"): Disclosure Initiative. The amendments to IAS 1 clarify rather than significantly change existing IAS 1 requirements. The amendments clarify:



The materiality requirements in IAS 1;

- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's disclosure.

Other accounting standards or amendments to existing accounting standards that have been issued and have future effective dates are either not applicable, or are not expected to have a significant impact on the Company's consolidated financial statements.

B

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgments, apart from those involving estimation uncertainty, in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

► (i) Leases

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts with tenants as operating leases.

In applying this policy, the Company makes judgments with respect to the point in time at which revenue recognition under the lease commences.

► (ii) Investment property

The Company's accounting policies relating to investment property are described in Note 3 (b) of the annual consolidated financial statements. In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the property to be capitalized and, for properties under development, identifying the point at which practical completion of the property occurs and the directly attributable borrowing costs are included in the carrying value of the development property. Capitalization of expenses ceases to occur when the investment property is available for use. This judgment is applied when the property is substantially complete and is typically concurrent with occupancy.

Judgment is also applied in determining the extent and frequency of independent appraisals.

► (iii) Income tax

The Company follows the asset/liability method for calculating deferred income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future

taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.

C CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions that affect carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ from estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

► Investment properties

The choice of the valuation method for fair valuing and the critical estimates and assumptions underlying the valuation of investment properties and investment properties under construction are set out in Note 3.

Significant estimates used in determining the fair value of the investment properties includes capitalization rates and normalized

net operating income (which is influenced by inflation rate, interest rates, vacancy rates, structural reserves and standard costs) by property, using property specific capitalization rates.

Investment property under construction is also valued at fair value, except if such value cannot be reliably determined. In the exceptional case when a fair value cannot be reliably determined, such property is recorded at cost. The fair value of investment property under construction is determined using either the discounted cash flow method or the residual method.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets and capitalization rates applicable to those assets. In addition, development risks (such as construction and leasing risks) are also taken into consideration when determining the fair value of investment property under construction. These estimates are based on local market conditions existing at the reporting date. In arriving at estimates of market values, management used their market knowledge and professional judgement and did not rely solely on historical transaction comparables. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the fair values of investment property. The critical estimates and assumptions underlying the valuation of investment properties and developments are set out in Note 3.

► Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded.

MEASURES NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Throughout the MD&A, management will use measures that may include Adjusted EBITDA, (income from operations before interest, taxes, depreciation, amortization, valuation gains and straight-line rental revenue) and NOI (net operating income from properties which includes property revenue less direct property operating expenses and excludes non-cash and extraordinary items, administrative expenses, amortization, valuation gains or losses, gains or losses on sales of investment property, stock based compensation, interest and income taxes). Different issuers may use the same term(s) to refer to different calculations or may vary the definitions of a particular term from one period to another period. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Management believes its use of Adjusted EBITDA and NOI provides the shareholders and prospective investors with additional performance measures to show the cash flow from operations that will be used to finance debt and further growth of the Company. A detail of the calculation can be found on page 14 in this MD&A.

DISCLOSURE CONTROLS AND PROCEDURES

Risks Associated with Disclosure Controls and Procedures & Internal Control over Financial Reporting

Imperial Equities' major weakness in internal controls and procedures lies in the lack of segregation of duties in the accounting department. The potential impact of a material weakness in internal controls on the financial statements would be the possibility of a material misstatement going undetected. Management is responsible for the existence and effectiveness of systems, controls and procedures to ensure that information used internally by management and disclosed externally is reliable and timely.

The CFO is employed by Sable Realty & Management Ltd. and in addition to performing the accounting and reporting functions of the Company, the CFO also provides accounting functions to numerous other private companies owned and operated by the CEO. There is the potential for conflict of interest regarding related party transactions. All related party transactions are disclosed each quarter and the Audit Committee is provided with comparable figures for fees charged by other companies.

The Audit Committee provides oversight of financial statements and MD&A released to the public on a quarterly basis. The Company cannot guarantee that controls and procedures in place will prevent all errors or misstatements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements to report.

PROPERTY PERFORMANCE

2016



UNITED RENTALS FORT MCMURRAY

Developed by Imperial Equities: March, 2011

5.4 Acres of land

26,400 Total square feet



140 TaigaNova Crescent, Fort McMurray, AB
780-743-9555 | www.unitedrentals.com



2016 PROPERTY DETAILS

► **Along Highway 63** on the north end of Fort McMurray lies the TaigaNova Eco-Industrial Park. Developed as a showcase industrial development in Fort McMurray, Alberta, it is a highly efficient Eco-Industrial Park that uses green infrastructure and innovative sustainable design approaches resulting in a higher quality industrial development. Imperial Equities is proud to be one of the first developers to begin construction in the Eco Park.

In January 2010 Imperial completed a long term lease arrangement with Rental Services Corporation (subsequently sold to United Rentals) and soon after finalised the purchase of a 5.4 acre lot. Construction of the 26,400 square foot building began in September 2010. The building is a precast concrete tilt up structure that has incorporated many green friendly features aimed at reducing the amount of natural resources buildings consume both during and after construction is completed.

More than 10% of the entire site is landscaped with mostly native vegetation such as birch, poplar and spruce trees as well as many native shrubs. The balance of the yard area is concrete that is

sloped to collect the surface water which is directed to the storm water retention pond. Water from the pond can be used for watering the landscaping throughout the summer months. The 2 storey office component features a curtain wall glass facade that will allow a great deal of natural light while keeping a controlled environment throughout summer and winter.



MEET THE TENANT

► **United Rentals ("UR")** - United Rentals Inc. is the largest equipment rental company in the world, with an integrated network of 848 rental locations in 48 states and 10 Canadian provinces. The company's approximately 11,200 employees serve construction and industrial customers, utilities, municipalities, homeowners and others. The company offers for rent approximately 3,400 classes of equipment with a total original cost of \$7.40 billion. United Rentals is a member of the Standard & Poor's MidCap 400 Index and the Russell 3000 Index® and is headquartered in Greenwich, Conn. United Rentals trades on the New York Stock Exchange under the symbol (NYSE:URI).

CEDA BUILDING

Developed by Imperial Equities: July, 2008

7.66 Acres of land

58,393 Total square feet



6005 - 72A Avenue, Edmonton, AB
780-395-3900 | www.CEDA.com



2016 PROPERTY DETAILS

► **Located** in the Davies Industrial East Industrial East business park of Edmonton, this 58,393 square foot specialty building is comprised of 25,520 square feet of office and 32,873 square feet of warehouse. The building is situated on 7.66 acres on the south side of 72 A Avenue just east of 67 Street. Imperial completed this build to suit project in July 2008.

The building features a two storey curtain wall finish with the balance of the exterior walls of split face concrete block and acrylic stucco. It is barrier free and all areas are wheelchair accessible. The interior features include two full floors of office, state of the art lighting and a fire suppression system. The 2nd floor offices are accessed by elevator or by the feature staircase leading to an open area that overlooks the entire main reception. The warehouse features include extensive craneways and state of the art electrical and mechanical systems. The storage yard is a 4 acre fenced and compacted compound with concrete grey beams that ensure safety and stability of the extensive pallet racking system.



MEET THE TENANT

► **CEDA** - An industrial and energy services provider, CEDA provides maintenance, turnaround, construction and project services for oil and gas, refinery, petrochemical, mining and other industrial facilities. CEDA's seven core service lines work independently or as an integrated service offering. CEDA's seven core service lines include: pressure and vacuum, chemical cleaning, pigging and decoking, mechanical and fabrication, electrical, dredging and fluid management and pipeline services.

CEDA is owned by the Ontario Municipal Employee Retirement System (OMERS). OMERS is one of Canada's largest pension funds, managing a diverse global portfolio of stocks and bonds as well as real estate, infrastructure and private equity investment.

ESSENTIAL ENERGY BUILDING

Acquired by Imperial Equities: October 2014

10 Acres of land

43,400 Total square feet



77 Queensgate Crescent, Red Deer, AB
403-263-6778 | www.essentialenergy.ca



2016 PROPERTY DETAILS

► **Developed** in the Red Deer's modish business park this 43,400 square foot building is situated on 10 acres of prime real estate. The Queens Business Park, newly created by the city of Red Deer, is positioned at the junction of highways 11A and the Queen Elizabeth II and has become the desired location among corporations catering to the energy sector.

Designed in conjunction with the tenant, construction of the Essential Energy Building was completed in February 2014. This industrial tilt up concrete building is architecturally pleasing as well as state of the art. It employs a hydronic in-floor heating system throughout the building including the heating required for the large repair bays as well as the equipment wash bay. All 10,000 square feet of office area is improved and climate controlled.

Two 10 ton overhead cranes free span the entire repair bays providing easy access for loading or unloading anywhere in the warehouse. The perimeter of the building has a large concrete apron and asphalt surfacing for automobile parking. The storage yard consisting of approximately 8 acres is completed with a clay and gravel base with geotechnical fabric covered with a further 12 inches of gravel thus creating a yard that will withstand any large loads placed on it. The entire site is chain link fenced and access is provided through several 40 foot cantilever gates with electronic openers.



MEET THE TENANT

► **Essential Energy Services Ltd.** - is a growth oriented, dividend paying corporation that provides oilfield services to producers in western Canada for new drilling activity as well as for producing wells. Essential Energy serves the energy sector throughout western Canada through several complementary divisions that include coil well service, service rigs and downhole tools and rentals.

Essential Coil Well Service, operates the largest coil tubing well service fleet in Canada providing coil services to producers in the Western Canadian Sedimentary Basin. The new Generation III and IV mastered coil tubing rigs are well-suited to complete longer, deeper and more complex wells.

Essential Well Service, operates its service rigs from eight locations across western Canada. Service rigs are used to repair, re-complete and stimulate existing oil and natural gas wells and perform completion work on new wells.

Tryton Tool Service, has been successful in helping its clients complete vertical and horizontal wells using well established conventional products as well as its proven Multi-Stage Frac Systems – both open hole and cemented-in systems. It offers sales and rentals from nine service centres in western Canada and a Warehouse/Distribution centre based out of Edmonton, Alberta.

STRONGCO BUILDING

Acquired by Imperial Equities: June, 2014

4 Acres of land

25,000 Total square feet



205 MacAlpine Crescent, Fort McMurray, AB
780-743-9409 | www.strongco.com



2016 PROPERTY DETAILS

► **Located near the southern limits of Fort McMurray** and along the eastern side of highway 63, lies the Mackenzie Industrial Park. Matured and fully developed, this industrial area of Fort McMurray has played an integral part of the development of the region. Prominently located within the Park is the new Strongco Building. Situated on 4 acres of prime industrial property, the site provides easy access and exposure to and from the two main thoroughfares. Construction of the Strongco Building was completed in February 2014 with immediate occupancy. The new 25,000 square foot building has a structural steel frame with prefinished exterior metal insulated wall panels. The main reception and office area features a central open staircase accessing its second level that overlooks the rear shop areas. The warehouse/shop areas have a ceiling height of 32 feet to underside of the steel trusses that easily accommodates the four 20 ton cranes. Also included is a roof mounted exhaust and fume extraction system including flexible pipes to supply eight bays. This system is interlocked with a roof mounted makeup air unit.

The building has both dock and grade loading with drive in and drive through capability. The perimeter has a 20 foot concrete apron and surfaced and energized car parking for 26 employee and customer parking. The yard is fully compacted utilizing 12 inches of crushed stone with geotextile fabric between the subgrade and

stone. It is completely fenced and meticulously landscaped as well as several concrete equipment display pads along MacAlpine Crescent.



MEET THE TENANT

► **Strongco Corporation** - is one of Canada's largest multiline mobile equipment dealers operating throughout Canada and in the North East United States, through its subsidiary Chadwick- BaRoss, Inc. Strongco sells, rents and services equipment used in sectors such as construction, infrastructure, mining, oil and gas, utilities, municipalities, waste management and forestry.

Strongco has approximately 725 employees servicing customers from 27 branches in Canada and 5 in the United States. Strongco represents leading equipment manufacturers with globally recognized brands, including Volvo Construction Equipment, Case Construction, Manitowoc Crane, Terex Cedarapids, Ponsse, Powerscreen, Skyjack, Fassi, Allied, Taylor, ESCO, Dressta, Sennebogen, Takeuchi, Link- Belt and Kawasaki.

By providing first class equipment, outstanding support, and unrivaled service, Strongco is now recognized as the partner of choice in the markets it serves. Listed on the Toronto Stock Exchange Strongco trades under the symbol SQP.

SEABOARD CANADA BUILDING

Acquired by Imperial Equities: September, 2016

6.8 Acres of land

75,000 Total square feet



4737 – 97 Street, Edmonton, AB

780-438-1122 | www.weiroilandgas.com



2016 PROPERTY DETAILS

► **Located** in the highly established Papachase Industrial district of south Edmonton, the Seboard Canada Building is situated on 6.8 acres of prime property. Bordered by major thoroughfares, the property has excellent access to surrounding arterials including Gateway Boulevard/Calgary Trail, Whitemud Drive and Edmonton's newest ring road, the Anthony Henday. Construction of this 75,000 square foot manufacturing facility is of a high quality steel superstructure with a combination of concrete block and metal insulated panels. The 10,000 square foot office component is built on two levels and features a large curtainwall front entry that immediately draws your eye to the property. The 65,000 square foot shop features dock and grade loading doors, a total of 14 cranes driven by a 1600 amp power service. Originally constructed in 1981 and expanded in 1991, the Seboard Building has undergone major renovations and upgrades in 2015. The fully paved parking lot is located all along the popular 97 Street and features 118 generous sized and energized parking stalls. The property has wonderful curb appeal and is fully serviced, fenced and landscaped.



MEET THE TENANT

► **Seboard Canada.** - Is a subsidiary of Weir Group PLC, who are headquartered in Glasgow Scotland. With operations in over 70 countries, Weir's comprehensive global manufacturing and service center network has positioned the company to number 1 in frac pumps, centrifugal slurry pumps, flow controls & high pressure grinder rollers. The Seboard Building in Edmonton, Alberta is the headquarters for Seboard Canada's Canadian operations. It is the primary manufacturing facility that delivers cost effective wellhead product solutions and pressure control equipment for a variety of applications and pressure ratings. Services provided by Seboard Canada include the rental of frac trees and support equipment to meet high performance drilling and production needs. The program includes a full complement of equipment and services for per-day or campaign rentals. Field services include installation, on-site testing, maintenance, removal, refurbishment, torque and testing services which allows customers to reduce inventory conveniently and affordably without reducing production potential.

GESCAN BUILDING

Developed by Imperial Equities: July, 2004

2.34 Acres of land

22,939 Total square feet



15103 – 121A Avenue, Edmonton, AB
780-455-7171 | www.gescan.com



2016 PROPERTY DETAILS

► **Imperial** and its consultants planned an architecturally designed site and building according to requirements and specifications of the tenant. The high quality facility was completed as agreed upon and delivered precisely on time. Gescan proudly took occupancy of its new premises in July of 2004.

The 2.34 acre site for the development was a portion of the 11.06 acre block of industrial lands in Edmonton's west end industrial corridor. The facility includes a 4,700 square foot 2 storey office component with the balance of the building being an 18,239 square foot, 28 foot high, state of the art warehousing facility. Amenities include enhanced mechanical systems, a fully paved and landscaped site, customer parking, both dock and grade loading along with a secured storage yard area.

The building is a rectangular pre-engineered clear span, fully insulated metal building and is finished in a bronze colored exterior cladding. The office portion features a curtain wall window treatment of anodized smoke grey colored glazing. A first class addition to the Imperial portfolio!



MEET THE TENANT

► **Gescan** - is a leader in the distribution of electrical supplies and equipment with 10 branches in the Alberta and prairie region. Gescan forms part of Sonepar Canada and Sonepar world wide. Sonepar has sales of over \$10 billion in the electrical distribution industry with a large presence in Europe, North America, South America, and Asia. As part of Sonepar Canada and one of the largest electrical distribution networks, Gescan has put together a unique blend of people, products, and partners to help customers with their electrical product and service needs.

NORWESCO BUILDING

Developed by Imperial Equities: June, 2012

5.13 Acres of land

21,000 Total square feet



12015 - 152 Street, Edmonton, AB

780-474-7440 | www.norwescocanada.com



2016 PROPERTY DETAILS

► **Developed** as part of Imperial's 152 Street industrial business park, this architectural design winning building is situated on 5.13 acres. With over 21,000 square feet of floor area this specialty building features 2,000 square feet of prime office space and 19,000 square feet of unobstructed clearspan warehouse.

Construction of the building is considered a "conventional build" with a steel superstructure. The first 8 feet of walls of the entire warehouse component are of a split faced concrete block. Above the concrete block and towering up to 30' in height are prefinished insulated panels. Imperial's team of consultants worked with Norwesco's consultants to create this building that will serve the Tenant's needs for decades to come.

The building design ties in with a theme in the immediate area that creates the appearance of being an Imperial Equities built building.



MEET THE TENANT

► **Norwesco Inc.** - is North America's leading manufacturer of proprietary rotationally moulded polyethylene tanks for agricultural, water, closed-top industrial and below ground septic and cistern applications. Founded in 1939 in St. Paul, Minnesota, Norwesco now operates 17 plants throughout the United States and Canada and is the world's largest supplier of rotationally moulded tanks. Rotational moulding is an efficient and effective process for moulding hollow, complex and vertical shapes. The process uses heat to melt and fuse plastic resin in a closed mould, without utilizing pressure. All of Norwesco's equipment has been customized to improve the speed and efficiency of the manufacturing process.

THE CAPITAL BUSINESS PARK



15730 – 118 Avenue Edmonton, AB



2016 PROPERTY DETAILS

► **Located** along one of Edmonton's busiest industrial roadways is the Capital Business Park. Acquired in 1999 this 4.1 acre property had several buildings on the site and the acquisition accommodated one tenant that required only one building but did not require the entire site. For Imperial Equities, an acquisition of this type of property was fundamental to its growing portfolio. Any residual lands would be land banked for any future development opportunities.

One of the buildings and approximately one acre of land was leased out to an equipment rental company and in 2006 Imperial undertook to renovate the 10,408 square foot building to a high standard. The transformation began with a complete exterior upgrade that consisted of a new roof, siding, landscaping and yard surfacing. The interior renovations have features such as a new sliding glass door entry system that leads to the 5,000 square foot showroom and climate controlled office area. A large repair and service shop includes a high pressure wash bay that allows for the cleaning of returned equipment.

In early 2011 Imperial was asked to prepare a lease proposal for a 3 acre land component and a new 17,694 square foot building designed specifically for the waterworks division of EMCO Corporation. Imperial engaged its team of consultants that included Architects, Structural, Mechanical, Electrical and Civil Engineers to dialogue with EMCO to create an office, showroom and warehouse facility. The consultation process culminated in an attractive eye-catching design and a construction method that is state of the art. The building is constructed with insulated tilt-up concrete panels that are developed in a climate controlled environment then transported and erected on site. The office and showroom consists of over 5,000 square feet with the office portion being a two storey contemporary design with the latest in energy efficient components.

Acquired by Imperial Equities: March, 1999
EMCO Build To Suit Completed: June, 2012

4.10 Acres of land

28,102 Total square feet



MEET THE TENANTS

EMCO CORPORATION

► **EMCO Corporation** - is one of Canada's largest integrated distributors of products for the construction industry. EMCO offers products in the distinct categories of plumbing and heating, waterworks, industrial, oilfield supply and HVAC (heating, ventilation and air conditioning). EMCO strives to satisfy the needs of its customers with a focused product assortment, transported and sold through an extensive network of branches, distribution warehouses and showrooms across Canada.

Since 1906 EMCO Waterworks has been serving Edmonton's burgeoning construction industry. EMCO Waterworks specializes in distributing vital construction materials such as PVC pipes, fittings, valves, hydrants, Geosynthetics, septic and irrigation products.

780-447-4800 | www.emcoltd.com

AHERN EQUIPMENT OF CANADA

► **Ahern Equipment of Canada** - Headquartered in Las Vegas, Nevada, Ahern Rentals is a family-owned business which started from humble beginnings in 1953. Through organic growth, Ahern Rentals is today the largest independent rental company in North America, with 81 locations.

Ahern Rentals has over 41,000 pieces of equipment in the fleet, and serves customers in many sectors, including construction, industrial, residential, utilities, municipalities, conventions, and entertainment & events. The company specializes in high reach equipment, which permits the safe lifting of people or materials to work at height, and offers one of the largest selections in the industry.

Based on their family values, Ahern Rentals is committed to building relationships and takes pride in listening and responding to their customers' needs.

780-467-0600 | www.ahern.com

ALL 4 WATER BUILDING

Acquired by Imperial Equities: March, 2002

2 Acres of land

50,000 Total square feet



7115 Girard Road, Edmonton, AB
780 486-6663 | www.all4water.ca



2016 PROPERTY DETAILS

► **The All 4 Water Building** is situated on a 2 acre site in one of Edmonton's most sought after industrial areas. Situated just east of 75 Street and the very popular "Argyll Road". Its location is strategic to any tenant given its ease of access and proximity to most major arterial roadways and truck routes.

Developed in 1982 this 50,000 square foot concrete block building is ideally suited for manufacturing and distribution. Extensive upgrades to Health Canada standards has enhanced its appearance as well as its functionality. Some notable upgrades include new 1200 amp power service, state of the art fire suppression and fire alarm systems. The property is fully paved with both dock and grade loading and has a generous energized parking lot. With 7,500 square feet of office and 42,500 square feet of production space, the building is ideally suited for its current occupant.



MEET THE TENANT

► **All 4 Water** - began as a family owned and operated business in High Level, Alberta. Since its beginnings in 2010, it has expanded into both major Alberta cities of Edmonton and Calgary. With a total of 11 lines and the ability to bottle 720,000 bottles per day, production begins with PET resin and ends with a filled great tasting bottle of water.

The company is rapidly expanding with sights set on continued growth and expansion throughout Canada and future economic development in the international market, namely China and the United States. Products include various sizes of Reverse Osmosis bottled water, bottled Spring water, bottled Soda Pop, bottled Carbonated water, and specialised production of caps and bottle molds when desired. Sizes include 350mL up to 18.9L bottles.

With their state of the art facilities, All 4 Water has the flexibility to produce privately labelled products and also offers the ability to create a bottle design entirely specific to suit a customer's needs. Biodegradable bottles are available to the consumer and unlike anyone else in the industry, All 4 Water's biodegradable products require no sunlight or oxygen to degrade in landfills, making them completely biodegradable.

ASHWORTH BUILDING

Developed by Imperial Equities: August, 2012

19,602 Square feet of land

8,000 Total building square feet



18037 - 105 Avenue, Edmonton, AB
780-482-7219 | www.tb3supply.ca



2016 PROPERTY DETAILS

► **This development** is an example of how a land banked property is transformed into a revenue generating building. With an ever increasing demand for small to mid-sized single tenant buildings in Northwest Edmonton, Imperial proceeded to develop this site into an 8,000 square foot multi use building. With a 2 storey office and showroom combination and 6,000 square feet of warehouse space, this new building is the jewel on the block.

The facade of the office component boasts a large amount of glass giving the building a curtain wall effect that culminates in a grand entry. The interior begins with a showroom that leads to a showcase stairway leading to the upstairs offices. The warehouse has a clear span and is equipped with the newest electrical and mechanical systems that are both energy efficient and provides for a much longer life of the components. The yard is completely paved and fenced providing for comfort and security.



MEET THE TENANT

► **TB3 Supply Inc.** - is a locally owned and operated business which contributes to Alberta's booming Oil and Gas Industry. A vision of three partners with over 30 years of combined Oil and Gas industry experience, TB3 is a supplier and distributor of a selection of Oil and Gas products ranging anywhere from personal protective equipment (PPE) and janitorial supplies, to specialized welding and cutting tools. No matter what Oil and Gas product their clients require, TB3 has the systems in place to deliver quickly, accurately, and at competitive prices.

To better serve their clients, TB3 manufactures a variety of components such as custom cable, welding cable, extension cords, and explosion proof cords. TB3 has knowledgeable staff that specializes in the manufacturing of these products and ensures that their clients are never left without the products needed. Success in the Oil & Gas industry is dependent on reliable products, fast delivery and exceptional service, and TB3's sourcing capabilities are constantly growing to accommodate the industry's demand.

OLIVER CROSSING



10304 - 111 Street Edmonton, AB



2016 PROPERTY DETAILS

► **Oliver Crossing** is the Company's longest-held property and has continually been a model for the company. This 1.25 acre site has 16,207 square feet of leasable space in two buildings.

Imperial has made significant upgrades to this 74-year old building to transform it into a charming property, located on the fringe of downtown Edmonton, in the city's historic Oliver district. This area has undergone a remarkable transformation over the past five years becoming one of the City's fastest growing residential and commercial communities.

The Company's initial purchase of this property was made just when the overall revitalization of the Oliver district was just beginning. Imperial has been able to hold on to an asset that has seen tremendous growth in its market value.



MEET THE TENANTS

URBAN TIMBER

► **Urban Timber** - Introduces fresh modern designs using reclaimed wood from barns, schools, and old factories. Once forgotten or damaged by fire, weather or landfills, Urban Timber rescues beams, planks, and wood siding to create furniture, solid wood flooring, mantles, and design accents for your home, office, or retail space. Locally owned and operated – proud to support our environment.

780-893-4961 | www.urbantimber.ca

CITY CENTRE CHURCH

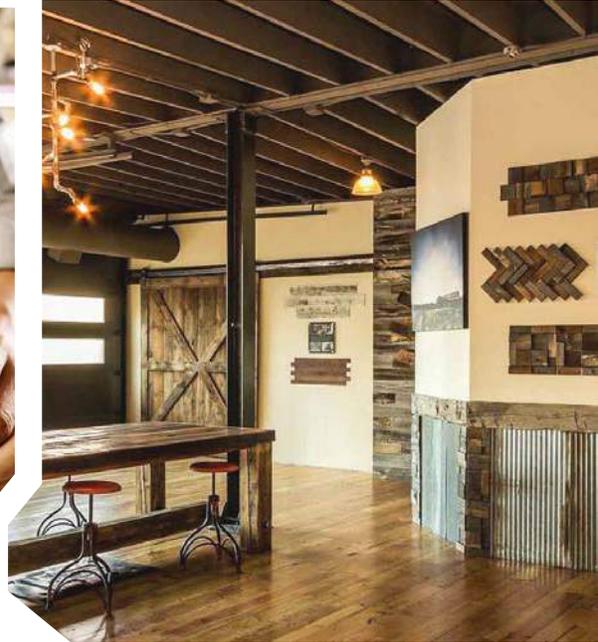
► **City Centre Church** - A young church that longs to be part of the authentic faith community of friends that contribute into each other's lives, and the surrounding community. City Centre Church began with a strong leadership base and a passion to see new churches launch. They are also committed to building leaders! Their desire is that the church would provide a healthy spiritual environment for people to come to wholeness.

780-423-CITY(2489) | www.citycentrechurch.com

Acquired by Imperial Equities: February, 1999

1.25 Acres of land

16,207 Total square feet



LOUISIANA PURCHASE

► **Louisiana Purchase** - Serves authentic Creole & Cajun food. It was founded in 1989 in Edmonton and has always been locally owned and operated. Creole cuisine is a style of cooking originating in Louisiana (centered on the Greater New Orleans area) that blends French, Spanish, French Caribbean, African, and American influences. It also bears hallmarks of Italian cuisine. It is vaguely similar to Cajun cuisine in ingredients, but the important distinction is that Cajun cuisine arose from the more rustic, provincial French cooking adapted by the Acadians to Louisiana ingredients, whereas the cooking of the Louisiana Creoles tended more toward classical European styles adapted to local foodstuffs.

780-420-6779 | www.louisianapurchase.ca

WILLIAM H. ROSS ARCHITECT LTD.

► **William H. Ross Architect Ltd.** - is a traditional architectural consulting group operating since 1977. The company offers a full range of architectural expertise in commercial, institutional, industrial and residential projects. Other work includes tenant improvements and interior design for a variety of clients including the Bank of Nova Scotia and Merrill Lynch.

780-482-3495

INDIAN FUSION

► **Indian Fusion** - Provides an intimate, and relaxing dining experience. From the moment you step inside, your senses are engaged with the sights, sounds, and scents of an authentic East Indian restaurant. The warm and inviting decor provides the perfect accent to the menu of authentically prepared cuisine.

780-752-5500 | www.indianfusionrestaurant.com

PRIVÉ

► **Privé** - Melding the allure of trendsetting exclusivity with contemporary entertainment, Privé will redefine nightlife in Edmonton. Guests can indulge in the latest sensory innovations while escaping into a world that transcends professional service, classic seduction and sophistication. A voyeuristic design throughout the night club gives guests a bird's eye view of the jaw dropping entertainment, VIPs and Edmonton's beautiful crowd. Privé features a variety of music formats during its three weekly nights, Thursday to Saturday, and offers VIP tables, one lounge to accommodate guests at the beginning of the night, three full-service bars and a lavish main dance floor.

www.priveultralounge.ca

INDEPENDENT SUPPLY BUILDING

Acquired by Imperial Equities: November, 2004

1.58 Acres of land

25,580 Total square feet



11418 -120 Street, Edmonton, AB

780-451-4744 | www.ischvacr.com



2016 PROPERTY DETAILS

► **Imperial** acquired this well located industrial warehouse building in north-central Edmonton specifically for Independent Supply Company, a large regional company that wanted to expand. The property is comprised of a 1.58 acre site together with a 25,580 square foot building. The premises were architecturally designed with a configuration of 10,000 square feet of sales and administration areas including built to suit offices, training room and staff areas. The building received an exterior facelift and improvements to the base building, roof, mechanical, electrical, plumbing, entrances, windows, warehouse, parking lot, site, landscaping and loading areas. The building boasts a sophisticated mechanical layout to showcase the products of the Tenant and features fully air-conditioned warehouse areas.



MEET THE TENANT

► **Independent Supply Company (ISC)** - is a premier wholesale distribution company of refrigeration, heating, ventilation and air conditioning parts and equipment in Canada.

ISC is unique in many respects. Perhaps most noticeably, the fact that the company is an employee ownership company which permeates the culture of the organization. This sense of ownership translates into a real “can do” approach that is proactive, innovative and above all dedicated to customer satisfaction and service.

The team consists of specially trained people with the expertise and experience to exceed customer expectations. ISC take pride in providing exceptional service and being a resource of information in addition to your parts and equipment wholesaler. They are open for business Saturdays and provide 24/7 Emergency Service. ISC is committed to learning and provide local training to help customers be familiar with the latest products and innovations.

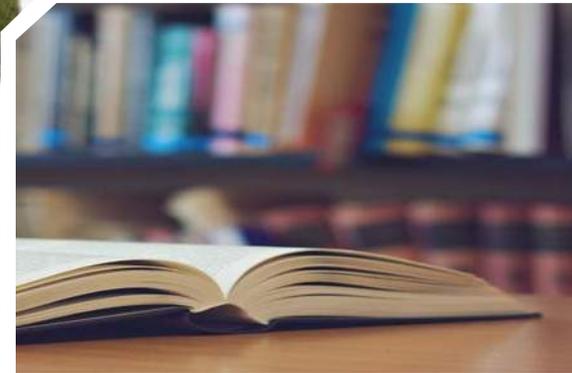
NAIT

DISTRIBUTION BUILDING

Acquired by Imperial Equities: June 2005

3.37 Acres of land

70,000 Total square feet



11311 - 120 Street Edmonton, AB



2016 PROPERTY DETAILS

► **Located** in the heart of Hudson's Bay Reserve area and near the fringe of downtown Edmonton, this 70,000 square foot building is situated on 3.37 acres, encompassing a whole city block. Features include 13,000 square feet of premium office space, natural lighting in the warehouse with dock and grade loading.

The tenant, Northern Alberta Institute of Technology (NAIT) has occupied the building for over 25 years. The building continues to serve NAIT with offices, avionics class space, equipment maintenance and warehousing. Imperial was fortunate to acquire a great building in the heart of Edmonton that will serve NAIT for many years to come.

This type of property will continue to generate income for our Company but more importantly it has great future redevelopment potential. Imperial will continue to bank land in the city centre airport area. The area serves as an excellent location for distribution for a light industrial tenant.



MEET THE TENANT

► **The Northern Alberta Institute of Technology (NAIT)** - is a leader in Canadian technical education. As Alberta's non-university post-secondary institute, NAIT provides full-time and part-time career education programs which focus primarily on technical training in business, health sciences, information management and communications, engineering technologies, industrial technologies, and a wide variety of trades. NAIT offers more than 170 programs leading to one-year certificates, two-year diplomas, four-year applied degrees or apprenticeship certification as well as over 1200 Continuing Education courses.

With an annual budget of over \$200 million NAIT's financial impact creates a ripple effect throughout the province, creating jobs and opportunities. In the final analysis, the economic impact NAIT exerts on the economy of Edmonton alone approaches \$339 million annually.

CENTRAL DISTRIBUTION BUILDING



11415 - 120 Street, Edmonton, AB

2016 PROPERTY DETAILS

► **Imperial's** largest building is this 103,000 square foot concrete block building situated on 3.83 acres in Edmonton's Hudson's Bay Reserve area. Located close to downtown and the former city centre airport, the property consists of one whole city block and is fully leased to three different distribution type tenants.

The Central Distribution Building is situated in a very central part of Edmonton that allows each tenant easy access to a large potential client base. The building has over 20,000 square feet of freezer and cooler space. Demand for this type of space is at its highest and given the central Edmonton location of this property, there is no doubt that vacancies will remain negligible and rental rates strong.

The area serves as an excellent location for a distribution or light industrial tenant and will continue to generate income for our company but more importantly it has great future redevelopment potential. Imperial will continue to bank land in the new Blatchford redevelopment area, formerly known as the city centre airport area.



MEET THE TENANTS

AMRE SUPPLY CO LTD.

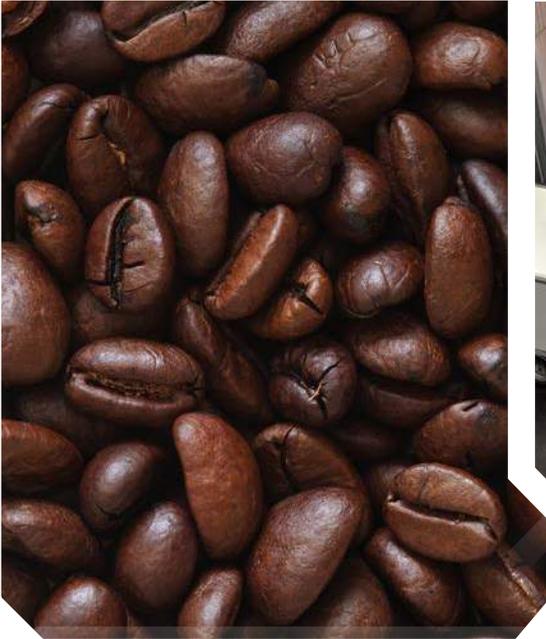
► **AMRE Supply Co Ltd.** - is a supplier of parts, tools, equipment and fixtures for contractors and property operators. With 14 locations in major Canadian cities, AMRE carries original factory specified parts that are engineered specifically for their appliances, plumbing, heating or cooling equipment. AMRE also inventories many hard to find or no longer available parts for brands that are engineered to original specifications by quality manufacturers. With a team of experienced employees AMRE Supply has the reputation of being Canada's Parts Professionals.

780-426-2673 | www.amresupply.com

Acquired by Imperial Equities: September, 2005

3.83 Acres of land

103,000 Total square feet



BRAZILIAN CANADIAN COFFEE (ALBERTA) INC.

► **Brazilian Canadian Coffee (Alberta) Inc.** - is a supplier and wholesaler of quality blended and unblended gourmet coffee and related beverage and food products and services. Brazilian has been in business since June of 1992. Their products can be found in many fine restaurants, offices, other wholesalers, vending companies and gourmet coffee shops. Their qualified team offers decades of coffee knowledge and experience.

780-435-3551 | www.bccab.ca

CCT CANADA INC.

► **CCT Canada Inc.** - is a full-service transportation, logistics and warehousing company, specializing in fast, efficient distribution throughout Canada. Established in 1994, CCT directly and through its strategic partners, offers a full range of LTL, warehousing and logistics services throughout North America but are available to handle needs on a worldwide basis as well.

780-481-0100 | www.cctcanada.com

UNITED RENTALS

FORT SASKATCHEWAN

Acquired by Imperial Equities: May, 2008

2.3 Acres of land

6,000 Total square feet



11141 – 89 Avenue Fort Saskatchewan, AB
780-992-1833 | www.unitedrentals.com



2016 PROPERTY DETAILS

► **Just minutes northeast** of Edmonton and anchored by the city of Fort Saskatchewan lies “Alberta’s Heartland”. This prime industrial area has been identified for the development of complimentary industries to the oil sands such as refineries and upgraders.

This 2.3 acre property fronts highway 15 on the corner of 112 Street in Fort Saskatchewan, Alberta. The building is a 6,000 square foot concrete block structure that was completely renovated in 2008. The interior features include a showroom and a bank of offices. The shop features 3 repair bays and a complete wash bay. The entire yard is fenced and paved allowing for easy movement of equipment throughout.



MEET THE TENANT

► **United Rentals (“UR”)** - is one of the largest equipment rental firms in the United States and Canada. For more than 50 years United Rentals has provided equipment (ranging from electric hand tools, fork lifts, and backhoes to post hole diggers and 100-foot telescopic boom lifts to earth-moving equipment, computerized and manned tool trailers, and mill supplies) for rental to the industrial, petrochemical, and construction industry as well as to contractors and homeowners. The company also sells parts, supplies, and used rental equipment; distributed new equipment for manufacturers; and provides support services including onsite maintenance and repair.

United Rentals sets the standard for customer service to the construction, manufacturing, industrial and petrochemical industries with highly trained people and a wide range of rental equipment. United Rentals’ commitment towards customer service is at the forefront of everything they do.

TEAM INDUSTRIAL SERVICE BUILDING

Acquired by Imperial Equities: September, 2001

4 Acres of land

33,500 Total square feet



2507 – 84 Avenue Edmonton, AB
780-417-7777 | www.teamindustrialservices.com



2016 PROPERTY DETAILS

► **Situated on a four-acre site**, this building had an existing single tenant and a custom-constructed industrial building measuring approximately 33,500 square feet. The building contains two concrete bunkers with 36-inch concrete walls and doors which allow the company to do non-destructive testing on-site. The specialty building is the only one of its kind in the Pacific Northwest, and the cost to construct a similar building would be about \$7.5 million.

Given the highly specialized features of the building and the presence of a stable, long-term tenant, Imperial has enjoyed steady returns on the property and has steadily achieved a growing equity position.



MEET THE TENANT

► **Team Industrial Services. (NASDAQ: TISI)** - was founded in 1973 and is a leading provider of specialty industrial services that are required in maintaining high temperature, high pressure piping systems and vessels utilized extensively in the refining, petrochemical, power, pipeline and other heavy industries. The aerospace and automotive industries also rely on Team's inspection services. Team has the largest North American service network in its industry, with more than 100 locations across the continent. The 3,400 employees at Team have provided it with the largest North American market share in its industry, and have created a strong heritage of profitable, organic growth. Team also serves the international market through both its own international subsidiaries, and through licensed arrangements in 14 countries.

DAY & ROSS

CROSSDOCK FACILITY

Acquired by Imperial Equities: June, 2002

4.79 Acres of land

22,600 Total square feet



11727 - 178 Street, Edmonton, AB
780-638-0100 | www.dayross.ca



2016 PROPERTY DETAILS

► **Situated on 4.79 acres** in the Armstrong Industrial area of Northwest Edmonton is the Day and Ross Crossdock facility. The 22,600 square foot building is a purpose built crossdock that allows for the easy movement and distribution of freight from one tractor trailer to another. Crossdock buildings in Edmonton are very much in demand and a necessity for companies such as Day and Ross.

This facility is very well located in Edmonton along 178 Street with easy access to the major thoroughfares such as the Yellowhead and Anthony Henday. The building consists of an office area comprised of 2,600 square feet at the north end and the balance being 20,000 square feet of crossdock and warehousing space. The building is situated tight along the east boundary of the lot leaving the vast majority of the land to be used for truck and other vehicular manoeuvrability.



MEET THE TENANT

► **Day and Ross** - is a comprehensive national carrier with complete LTL (less than truckload) & TL (truckload) coverage within Canada and between Canada, the USA and Mexico. With over

60 years of service, Day & Ross has fine-tuned their operations to meet the varied needs of Canadian shippers from Newfoundland to British Columbia, and all points in between. Headquartered in Hartland, New Brunswick, Day & Ross is recognized as one of Canada's only true National carriers serving all 10 provinces direct with LTL and TL service anywhere in Canada, and to and from the United States through a strategic alliance with an exclusive U.S. marketing partner as well as scheduled TL operations to and from Mexico.

Launched by Maritimers Elbert Day and Walter Ross, Day & Ross started with one truck hauling potatoes from New Brunswick to Quebec. Today, Day & Ross hauls more than just potatoes – the company has grown to include over 1200 power units, 2000 trailers and more than 2500 dedicated and experienced employees and owner-operators located in terminals and other facilities across Canada.

As part of the McCain family, Day & Ross is committed to Lean "Six Sigma", a process designed to involve employees in decision-making, and to instill a philosophy of continuous improvement.

COPPERTONE VIII BUILDING

Acquired by Imperial Equities: November, 2016

1.84 Acres of land

7,266 Total square feet



12212 – 152 Street, Edmonton, AB
Coppertone Industrial Common



2016 PROPERTY DETAILS

► **Located** in the highly established Mitchell Industrial district of northwest Edmonton, our Coppertone VIII building is situated on 1.84 acres of prime industrial property. This single tenant property has a remarkably functional building that features a perfect amount of office space in proportion to the warehouse space. Construction of this 7,100 square foot building is of a high quality steel superstructure with a combination of precast concrete and metal insulated panels. The 2,100 square foot office component is largely on ground level and several offices and a generous boardroom on the mezzanine level. The 5,000 square foot warehouse is a clear span, open space with a 21' ceiling height. The Property is fully serviced with all amenities and is entirely chain link fenced. The entire yard is professionally graded, paved and accessed by 2 large gates allowing for a drive in and drive out scenario for large trucks. The property is near Imperial's Coppertone Industrial Common and as such has been renamed to Coppertone VIII.

The Coppertone Industrial Common is very well situated in northwest Edmonton with excellent access to all major thoroughfares, including the Yellowhead Trail, the Whitemud Drive and the Anthony Henday. Corporations that have established long term tenures within the Coppertone Industrial Common include Gescan, Norwesco and Farm Credit Canada.



MEET THE TENANT

► This very conveniently located property is currently vacant and in need of some company! Please contact Imperial Equities at 780-424-7227 for more details.

LAND for DEVELOPMENT

2.0 ACRES

207 MacAlpine Crescent, Fort McMurray, AB

2016 PROPERTY DETAILS

► **Located** in the heart of one of Fort McMurray's most established industrial areas is this two acre parcel of land. Mackenzie Industrial Park located along the east side of Highway 63 at Fort McMurray's southern boundary offers easy access to and from highway 63, the Fort McMurray airport and points north. The site is level, fenced and ready for development.

Imperial has land banked this site and is actively pursuing a build to suit opportunity to commence development.



12.9 ACRES

NE corner of 17 Street & 90 Avenue, Edmonton, AB

2016 PROPERTY DETAILS

► **Located** along 17 Street in Edmonton's southeast industrial district is the Lauren Industrial Park. Conveniently situated just off the Sherwood Park Freeway with several access points to Edmonton's ring road, the Anthony Henday. This 12.9 acre site is the last undeveloped property in Lauren Industrial and is fully serviced and ready for development.

The site is a large square shaped parcel with excellent exposure. It is gently sloping with a hard clay base and gravel surface that is conducive to heavy truck or equipment usage. Access to the site is off 90th Avenue. A conceptual building plan has been created and can easily be altered to suit the needs of a prospective tenant. Imperial has land banked this property and is looking for a built to suit opportunity to develop the site.



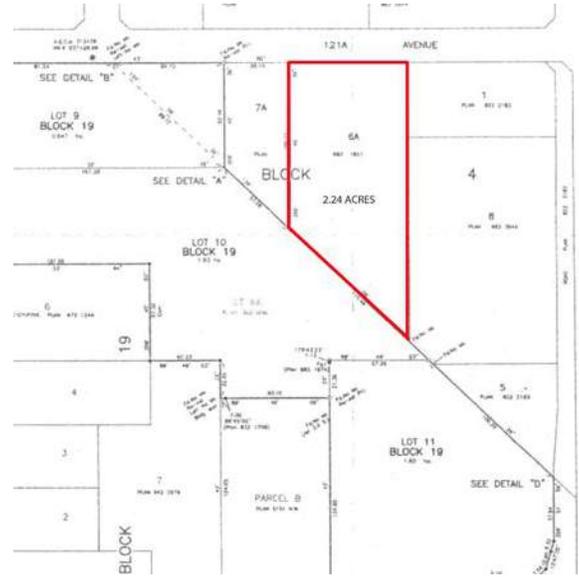
2.24 ACRES

15003 – 121A Avenue, Edmonton, AB

2016 PROPERTY DETAILS

► **Located** along 121a Avenue in the Mitchell Industrial area of Edmonton's northwest district is this 2.24 acre property with exposure to the very busy 149 Street thoroughfare. The site is rectangular in shape for the most part and has a triangular shape at the southerly most boundary and is ready for development. Access to the property is off of 121a Avenue and all services are available and at the property line.

Imperial has land banked this site and is actively pursuing a build to suit opportunity to commence development. As part of Imperial's Coppertone Industrial Common any new building development on this site will incorporate the desirable copper cladding that is common to the area.



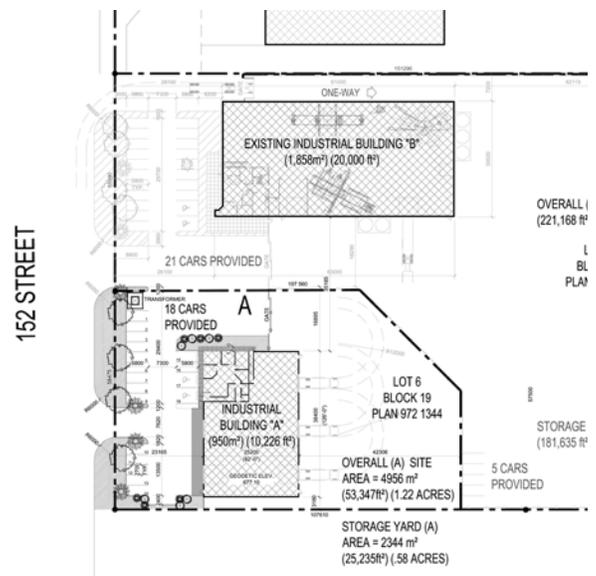
1.25 ACRES

11905 – 152 St, Edmonton, AB

2016 PROPERTY DETAILS

► **Located** along 152 Street in Edmonton's Northwest Mitchell Industrial district is the Coppertone Industrial Common. This 1.25 acre property is fully serviced and ready for development. Imperial has developed the area surrounding this site with high calibre, copper cladded and architecturally appealing buildings. This property will be developed with a similar theme that will tie the entire area together and identify the project as an Imperial Equities property.

The site is rectangular in shape and is fully serviced and accessible directly from 152 Street. It is flat and level and has a hard based gravel surface that is conducive to heavy truck or equipment usage. We have completed the planning stages of developing this phase of our Coppertone Industrial Common. Construction of a new copper cladded structure is slated to begin in Q3, 2017 and expected to be completed in Q2, 2018.



FINANCIAL STATEMENTS

2016





Independent Auditors' report

To the Shareholders of
Imperial Equities Inc.

Grant Thornton LLP
1701 Scotia Place 2
10060 Jasper Avenue NW
Edmonton, AB
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We have audited the accompanying consolidated financial statements of Imperial Equities Inc., which comprise the consolidated statements of financial position as at September 30, 2016 and September 30, 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 consolidated financial position of Imperial Equities Inc. as at September 30, 2016 and September 30, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Edmonton, Canada

December 13, 2016

Grant Thornton LLP

Chartered Professional Accountants

IMPERIAL EQUITIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	September 30, 2016	September 30, 2015
Assets			
Investment properties	4	159,634,487	148,563,735
Intangible assets	5	-	49,446
Loan receivable	2	482,063	-
Deferred taxes	13	-	1,696
Property and equipment	6	-	42,002
Total non-current assets		160,116,550	148,656,879
Investment properties held for sale	4	8,104,500	8,104,500
Current portion of loan receivable	2	496,362	-
Receivables	7	110,585	6,880,504
Inventory		-	4,620,332
Income taxes recoverable	13	27,586	-
Prepaid expenses and deposits	8	494,762	523,728
Cash and cash equivalents		2,115,033	1,009,718
Total current assets		11,348,828	21,138,782
Total Assets		171,465,378	169,795,661
Liabilities			
Mortgages	9	55,563,817	43,225,289
Security deposits		256,314	289,471
Deferred taxes	13	12,991,319	12,078,927
Total non-current liabilities		68,811,450	55,593,687
Current portion of mortgages	9	19,813,977	18,212,893
Other financing	10	-	2,925,000
Bank operating facilities	11	2,502,387	12,420,259
Deposit on investment property for sale	4	250,000	250,000
Payables and accruals	12	818,739	6,405,241
Income taxes payable		683,929	471,104
Total current liabilities		24,069,032	40,684,497
Total Liabilities		92,880,482	96,278,184
Equity			
Issued share capital	15	5,946,742	6,133,681
Contributed surplus	15	593,750	593,750
Retained earnings		72,044,404	66,790,046
Total Equity		78,584,896	73,517,477
Total Equity and Liabilities		171,465,378	169,795,661

Post-reporting date events (Note 23)
Guarantees and contingencies (Note 19)

See accompanying notes to the consolidated financial statements.

IMPERIAL EQUITIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended September 30,

	Notes	2016	2015
Rental revenue	18 (a)	8,742,539	8,597,525
Property operating expense revenue		2,007,034	2,171,654
Property operating expenses	18 (b)	(2,443,207)	(2,527,177)
Income from operations		8,306,366	8,242,002
Administration expenses		(992,405)	(1,000,718)
Amortization		(342,891)	(319,678)
Gain on the sale of investment property	4	39,427	-
Valuation net gains from investment properties	4	1,135,699	5,018,680
Income before interest and income tax		8,146,196	11,940,286
Interest income		31,243	-
Interest expense		(2,365,610)	(2,731,633)
Income before income tax		5,811,829	9,208,653
Income tax expense	13	(1,397,846)	(2,582,287)
Net income from continuing operations		4,413,983	6,626,366
Discontinued operations	2		
Income from discontinued operations		1,293,850	26,311
Income tax expense		(170,887)	(6,564)
Net income from discontinued operations		1,122,963	19,747
Net income and total comprehensive income		5,536,946	6,646,113
Earnings per share, basic			
From continuing operations	16	.46	.69
From discontinued operations		.12	.00
Earnings per share basic	16	.58	.69
Earnings per share, diluted			
From continuing operations	16	.46	.67
From discontinued operations		.12	.00
Earnings per share diluted	16	.58	.67

See accompanying notes to the consolidated financial statements.

IMPERIAL EQUITIES INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
Years ended September 30,

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2015	9,747,042	\$ 6,133,681	\$ 593,750	\$ 66,790,046	\$ 73,517,477
Shares repurchased during the period	(30,800)	(139,322)	-	-	(139,322)
Shares cancelled during the period	(75,600)	(47,617)	-	(282,588)	(330,205)
Net income	-	-	-	5,536,946	5,536,946
Balance September 30, 2016	9,640,642	\$ 5,946,742	\$593,750	\$ 72,044,404	\$ 78,584,896

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2014	9,545,142	\$ 5,155,059	\$ 974,970	\$ 60,338,772	\$ 66,468,801
Shares cancelled during the year	(92,100)	(56,758)	-	(349,180)	(405,938)
Stock options exercised	294,000	1,035,380	(226,880)	-	808,500
Stock options expired	-	-	(154,340)	154,340	-
Net income	-	-	-	6,646,113	6,646,113
Balance September 30, 2015	9,747,042	\$ 6,133,681	\$593,750	\$ 66,790,046	\$ 73,517,477

See accompanying notes to the consolidated financial statements.

IMPERIAL EQUITIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended September 30,

	Notes	2016	2015
Operating activities			
Net income from continuing operations		4,413,983	6,626,366
Interest on financing		2,456,214	2,731,633
Items not affecting cash:			
Amortization of discount on loan receivable		(21,675)	-
Amortization of tenant inducements		27,273	-
Fair value changes on investment properties		(1,135,699)	(5,018,680)
Amortization		342,891	319,678
Straight-line rental revenue		(112,541)	(251,853)
Gain on sale of investment property		(39,427)	-
Deferred income taxes		795,834	2,116,829
Change in non-cash working capital	14	140,842	1,362,147
Cash inflow from operating activities of continuing operations		6,867,695	7,886,120
Cash (outflow) inflow from discontinued operations		(1,791,665)	3,079,797
Investing activities			
Purchase of investment properties		(12,436,069)	(15,537,606)
Improvements to investment properties		(364,194)	(350,022)
Tenant inducements		(400,000)	-
Proceeds on sale of investment property, net of disposal costs of \$209,260		3,190,740	-
Direct leasing costs		(66,320)	(39,141)
Deposit on investment property held for sale		-	250,000
Cash outflow used for investing activities of continuing operations		(10,075,843)	(15,676,769)
Cash inflow from discontinued operations		-	172,596
Cash inflow from disposition of discontinued operations, net of disposal costs of \$213,077	2	3,048,133	-
Financing activities			
Proceeds from mortgages		25,494,000	11,000,000
Repayment of mortgages		(11,459,756)	(3,301,198)
Transaction costs paid		(151,040)	(50,569)
Advances from other financing		500,000	5,336,000
Repayment of other financing		(3,425,000)	(3,056,000)
Interest on financing		(2,456,214)	(2,731,633)
Proceeds from options exercised		-	808,500
Purchase of common shares for cancellation		(469,527)	(405,938)
Net (repayment) advances on bank operating facilities		(7,254,460)	100,112
Cash inflow from financing activities of continuing operations		778,003	7,699,274
Cash inflow (outflow) from financing of discontinued operations		2,278,992	(2,894,206)
Increase in cash and cash equivalents		1,105,315	266,812
Cash and cash equivalents, beginning of year		1,009,718	742,906
Cash and cash equivalents, end of year		2,115,033	1,009,718

Supplemental consolidated cash flow information (Note 14)

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Imperial Equities Inc. (“the Company”) was incorporated in Edmonton, Alberta, Canada. The registered and operating office of the Company is 2151, 10060 Jasper Avenue, Edmonton, Alberta T5J 3R8. The Company’s operations consist of the acquisition, development and redevelopment of commercial and industrial properties primarily in Edmonton and throughout Alberta. The Company’s operations also included the sale and distribution of pharmaceuticals to the date of disposal of Imperial Distributors Canada Inc. (“IDCI”). At December 31, 2015, subject to certain escrow conditions, the Company sold its wholly owned subsidiary IDCI. The results of this former subsidiary are presented as discontinued operations in these consolidated financial statements (Note 2). All of the operations of Imperial Equities Inc. are conducted in Canadian funds. The Company’s common shares trade on the TSX Venture Exchange (TSXV) under the symbol “IEI”. These consolidated financial statements include the Company and its wholly owned subsidiaries, Imperial Equities Properties Ltd. (“IEPL”), Imperial Distributors Canada Inc. (“IDCI”) to the date of disposition, Imperial One Limited, Imperial Two Limited, Imperial Three Limited, Imperial Four Limited, Imperial Five Limited, Imperial Six Limited, Imperial Seven Limited and Imperial Eight Limited.

2. Income or loss from discontinued operations

The discontinued operations consist of the operations of IDCI in which the Company sold its 100% equity interest on December 31, 2015. IDCI’s operations have previously been recorded as an identifiable operating segment. The assets of this subsidiary were not classified as held for sale in the prior financial statements as they did not meet the criteria stated in IFRS 5 “Non-current assets held for sale and Discontinued Operations” as at September 30, 2015.

Income or loss from discontinued operations, including prior year comparative figures, are presented as a single amount in the consolidated statements of comprehensive income and cash flows. This amount comprises the post-tax loss of the discontinued operations and the post-tax gain resulting from the measurement and disposal of their assets and liabilities.

The consideration paid by the purchaser for the purchased shares of IDCI was \$1,500,000 with the Company carrying a loan receivable in the amount of \$1,000,000 net of a discount of \$43,250, to net cash on closing of \$500,000. The loan receivable is repayable in two instalments of \$500,000 each on the first and second anniversary of the sale date. The shares of IDCI are held in escrow until this loan receivable has been repaid. During the year, the Company also received full payment of \$2,761,212 from the purchaser on the inter-company loan with IDCI.

Note receivable net of discount at December 31, 2015	\$ 956,750
<u>Amortization of the discount at September 30, 2016</u>	<u>21,675</u>
<u>Balance owing at September 30, 2016</u>	<u>\$ 978,425</u>
Current portion of note receivable	\$ 496,362
<u>Long term portion of note receivable</u>	<u>\$ 482,063</u>
	<u>\$ 978,425</u>

The operating loss of IDCI to the date of disposal, and the gain from the disposal of the assets and liabilities are summarised as follows:

	Three months ended December 31, 2015	Year ended September 30, 2015
Sales of pharmaceuticals	\$ 10,070,816	\$ 73,947,693
Lease income	-	28,545
Cost of sales of pharmaceuticals	(9,766,926)	(72,348,511)
Pharmaceuticals income	303,890	1,627,727
Administrative expenses	(346,496)	(1,367,280)
Amortization	(3,913)	(37,202)
Loss on sale of assets	-	(839)
	(350,409)	(1,405,321)
(Loss) income from discontinued operations before interest and income taxes	(46,519)	222,406
Interest expense	(35,203)	(196,095)
Loss from discontinued operations before income taxes	(81,722)	26,311
Income tax recovery (expense)	3,947	(6,564)
(Loss) income for the period	\$ (77,775)	\$ 19,747
Net proceeds from the sale of IDCI	\$ 1,456,750	-
Net liabilities disposed	131,899	-
Disposition costs	(213,077)	-
Accounting gain on the sale before income tax	1,375,572	-
Income tax expense	(174,834)	-
Accounting gain on the sale of IDCI	\$ 1,200,738	-
Net income from discontinued operations	\$ 1,122,963	\$ 19,747
Total net proceeds from sale of IDCI	\$ 1,456,750	
Less discounted loan receivable from the purchaser	(956,750)	
Cash proceeds from the sale at December 31, 2015	\$ 500,000	

3. Significant accounting policies

(a) Statement of compliance, basis of presentation and consolidation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial instruments that have been measured at fair value. These consolidated financial statements are prepared on a going concern basis and are presented in Canadian dollars, which is the Company's functional currency.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, which are the entities over which the Company has control. The Company controls the entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns. The results of operations of the subsidiary IDCI are reported to the date of disposal. All significant intercompany balances and transactions have been eliminated.

(b) Investment properties

Investment properties are comprised of acquired commercial properties, developed commercial properties, and properties under construction or re-development held to earn rental income or for capital appreciation or both.

Investment properties

Investment properties are measured initially at cost including transaction costs. Transaction costs include various professional fees and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are stated at fair value. Related fair value gains and losses arising from changes in the fair values are recorded in the consolidated statements of comprehensive income in the period in which they arise.

The carrying value of investment properties also includes straight-line rent receivable, tenant incentives and direct leasing costs.

Tenant incentives are inducements given to prospective tenants to move into the properties or to existing tenants to extend the lease term. Tenant incentive receivables are included in the carrying value of the investment properties and are deducted from rental revenue on a straight-line basis over the term of the tenant's lease.

Investment properties are derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statements of comprehensive income in the period of retirement or disposal. Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous reporting period financial statements.

Transfers are made to investment properties when, and only when, there is a change in use, or property under construction becomes available for use. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of re-development or development with a view to sale. Investment properties are reclassified to "Assets held for sale" when the criteria set out in IFRS 5 "Non-Current Asset Held for Sale and Discontinued Operations" are met (Note 3(f)).

Vacant land owned by the Company is held for capital appreciation and treated as investment property.

Investment properties under construction

The cost of properties under construction includes direct development costs, realty taxes, and borrowing costs directly attributable to the development. Investment properties under construction are measured at fair value at each reporting date and any gains or losses are recognized in the consolidated statements of comprehensive income. If the fair value of investment properties under construction is not reliably determinable, but the Company expects the fair value of the properties to be reliably determinable when construction is complete, it measures those investment properties under construction at cost until either the fair value becomes reliably determinable, or construction is completed (whichever is earlier).

Borrowing costs related to properties under construction

Borrowing costs associated with direct expenditures on properties under construction are capitalized. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale, are complete. Other borrowing costs are expensed in the period in which they are incurred and reported in interest expense along with amortization of mortgage transaction costs.

(c) Business combinations

In accordance with IFRS 3 – Business Combinations (“IFRS 3”), the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired and the liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit. Building and other asset acquisitions, which meet the above definition of a business, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. Building and other asset acquisitions which do not meet the above definition of a business are recorded as an asset addition. There are no acquisitions which meet the definition of a business in the current or comparative year.

(d) Impairment of assets

At the end of each reporting period, assets, other than those identified in the standards as not being applicable to IAS 36 – Impairment of Assets such as investment properties recorded at fair value, are assessed for any indication of impairment. Should an indication of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined as the higher of an asset’s “fair value less costs of disposal” and its “value-in-use”. 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 which the estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the consolidated statement of comprehensive income. After the recognition of an impairment loss, the depreciation charge related to that asset is also revised for the adjusted carrying amount on a systematic basis over the remaining useful life of the asset. Should this impairment loss be determined to have reversed in a future period, a reversal of the impairment loss is recorded in the consolidated statements of comprehensive income. However, the reversal of an impairment loss will not increase the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized.

(e) Assets held for sale and discontinued operations

(i) Assets (or disposal groups) held for sale

Non-current assets and groups of assets and liabilities, which comprise disposal groups, are categorized as assets (or disposal groups) held for sale where the asset (or disposal group) is available for sale in its present condition and the sale is highly probable. For this purpose, a sale is highly probable: (a) if management is committed to a plan to achieve the sale, (b) there is an active program to find a buyer, (c) the non-current asset (or disposal group) is being actively marketed at a reasonable price, (d) the sale is anticipated to be completed within one year from the date of classification, and (e) it is unlikely there will be changes to the plan. Where an asset (or disposal group) is acquired with a view to resale, it is classified as held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. Retrospective application is not required; therefore, comparative figures will not be adjusted to reflect non-current assets held for sale. The gains or losses arising on a sale of assets (or disposal groups) that does not meet the definition of discontinued operations will be recognized as part of continuing operations, while the gains or losses arising on a sale of assets (or disposal groups) that meets the definition of discontinued operations will be reported as part of discontinued operations in the consolidated statement of comprehensive income.

(ii) Discontinued operations

An asset or group of assets will be classified as a discontinued operation when it is a component of an entity that has either been disposed of or is classified as held for sale and represents a separate major line of business, it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or it is a subsidiary acquired exclusively with a view to resell. Profits and gains or losses related to the disposal of discontinued operations are measured based on fair value less cost to sell or on the disposal of the assets (or disposal groups) and are presented in the consolidated financial statements on an after tax basis in accordance with IFRS 5. In addition, retrospective application is required; therefore, comparative figures will be changed to reflect discontinued operations. As an individual building or a group of buildings in a non-core municipal region does not constitute a major line of business, these sales are not treated as discontinued operations.

(f) Investment properties held for sale

Investment property is transferred to current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. For the sale to be highly probable the Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated. The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. On re-classification, investment property that is measured at fair value continues to be so measured.

(g) Property and equipment ("P&E")

Property and equipment at September 30, 2015 is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing P&E at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an item of P&E. The P&E were used in the operations of the pharmaceutical segment which was sold at December 31, 2015 and consisted of furniture and fixtures, computers, vault and cage and leasehold improvements. Depreciation is based on a component approach. The estimated useful lives, residual values and depreciation method are reviewed at each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Rates and bases of amortization apply to write-off the costs of P&E over their estimated useful lives are as follows:

Furniture and fixtures	20% declining balance
Computers	55% declining balance
Vault and cage	20% declining balance
Leaseholds	Straight line over the term of the lease

(h) Inventory

Inventory at September 30, 2015 relates entirely to the pharmaceutical segment and consists of narcotics, generic and brand pharmaceutical drugs, over the counter medications and other items normally found in a pharmacy. All inventory items are 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 allowance 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 during the period 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. Expenses for inventory are recognized in the consolidated statements of comprehensive income as cost of sales of pharmaceuticals.

(i) Leases – Company as lessor

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statements of comprehensive income as they arise.

Other leases are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

The Company has assessed all leases in which it is the lessor to be operating leases.

(j) Segment reporting

Operating segments are defined as components of the Company for which separate financial information is available and is evaluated by the chief decision makers in allocating resources and assessing performance. Up to the date of disposal of IDCI at December 31, 2015, the Company operated in two business segments, real estate and pharmaceutical sales, based on the different types of business activities and the different economic environments they operated in. All of the Company's operations are solely in Canada and are now under one business, real estate.

(k) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

Current income taxes for the current period, including any adjustments to tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that it is no longer probable that they can be utilized.

(l) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the best estimate of the consideration required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

(m) Revenue recognition

(i) Real estate operations

Revenue from investment properties is recognized when a tenant has a right to occupy the leased asset. Rental income from investment properties is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received. The Company has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payment is not made on such basis. The lease term is the non-cancellable period of the lease.

Rental revenue also includes contractual recoveries of operating expenses, including property taxes and is recognized as income in the period that recoverable costs are chargeable to the tenants. The recoveries are included gross of the related costs in revenue, as management considers that the Company acts as principal in this respect. Some of the Company's leases allow the tenant to pay property taxes directly to the municipality. When the tenant chooses this option, the Company does not recognize any revenue recovery or expense related to those property taxes.

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognized only when all the significant conditions are satisfied.

(ii) Pharmaceutical operations

Revenue from the sale of pharmaceuticals is recognized when the Company has transferred to the customers the significant risks and rewards of ownership of the products. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold. Revenues are recorded as gross revenue being the amount charged to customers net of rebates and any discounts or sales returns by customers. In management's opinion, the sales returns are insignificant and the Company provides a sales return allowance for each reporting period based on past experience.

There are instances when customers will request that the Company bill and hold their shipments until such time as the customers are prepared to receive the goods. Revenue on bill and hold arrangements is recognized when the customer is invoiced for the goods that have been purchased and made ready for shipment as the risk of ownership of the goods has been assumed by the customer. The terms and collections experienced on the related billings are consistent with all other sales.

(n) Fair value measurements

The Company measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in the notes to the consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(o) Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instruments. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled, or expire.

All financial instruments and certain non-financial derivatives are initially measured at fair value. Financial liabilities are initially recognized net of transaction costs. The Company does not have any derivatives embedded in financial or non-financial contracts.

The following summarizes the Company's classification and subsequent measurement of financial instruments:

<u>Financial assets and liabilities</u>	<u>Classification</u>	<u>Subsequent measurement</u>
Cash and cash equivalents	Loans and receivables	Amortized cost
Receivables and loan receivable	Loans and receivables	Amortized cost
Bank operating facilities	Other financial liabilities	Amortized cost
Payables and accruals	Other financial liabilities	Amortized cost
Other financing	Other financial liabilities	Amortized cost
Mortgages	Other financial liabilities	Amortized cost
Security deposits	Other financial liabilities	Amortized cost

Financial assets measured at amortized cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

(p) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

(q) Stock based compensation

The Company has established a stock option plan for its directors, management and key employees as described in Note 17. The Company uses the fair value method of accounting for stock options. The fair value of the option grants is calculated on the grant date for employees using the Black-Scholes Option Pricing Model and recognized as compensation expense over the vesting period of those granted options, adjusted for estimated forfeitures. The corresponding adjustment is recorded to contributed surplus. The fair value of the option grants to non-employees is calculated based on the value of the services provided in exchange for the option issue. 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. No adjustment is recorded for stock options that expire unexercised. For stock options which expire unexercised, the corresponding amount in contributed surplus is transferred to retained earnings. There is no adjustment to past compensation expense. Compensation expense related to forfeited options is reversed on the forfeiture date provided the options have not vested.

(r) Normal course issuers bid

Common shares purchased under the normal course issuers bid (“NCIB”) are acquired at market value. The transaction reduces the number of common shares outstanding and the transaction value, including costs, reduces capital stock at the adjusted cost base of the shares repurchased with the remaining transaction value charged to retained earnings.

(s) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimation uncertainty, in applying the Company’s accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Leases

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts with tenants as operating leases. In applying this policy, the Company makes judgments with respect to the point in time at which revenue recognition under the lease commences.

(ii) Investment properties

The Company’s accounting policies relating to investment properties are described in Note 3(b). In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the property to be capitalized and, for properties under development, identifying the point at which practical completion of the property occurs and the directly attributable borrowing costs are included in the carrying value of the development property. Capitalization of expenses ceases to occur when the investment property is available for use. This judgement is applied when the property is substantially complete and is typically concurrent with occupancy.

In the normal course of operations, the Company acquires investment properties. At the time of acquisition, the Company considers whether or not the acquisition represents the acquisition of a business or a group of assets and liabilities. All acquisitions of investment properties acquired to date by the Company have been determined to be asset acquisitions.

(iii) Income tax

The Company follows the asset/liability method for calculating deferred income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company

to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.

(t) Critical accounting estimates and assumptions

The Company makes estimates and assumptions that affect carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ from estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

Investment properties

The choice of valuation method and the critical estimates and assumptions underlying the calculation of the fair value of investment properties and investment properties under construction are set out in Note 4.

Significant estimates used in determining the fair value of the investment properties includes capitalization rates and normalized net operating income (which is influenced by inflation rate, vacancy rates, and standard costs) by property, using property specific capitalization rates.

Investment property under construction is also valued at fair value, except if such value cannot be reliably determined. In the exceptional case when a fair value cannot be reliably determined, such property is recorded at cost. The fair value of investment property under construction is determined using either the discounted cash flow method or the IAS 16 cost method with use of a residual value of zero.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets and capitalization rates applicable to those assets. In addition, development risks (such as construction and leasing risks) are also taken into consideration when determining the fair value of investment property under construction. These estimates are based on local market conditions existing at the reporting date. In arriving at estimates of market values management used their market knowledge and professional judgement and did not rely solely on historical transaction comparables. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the fair values of investment property. The critical estimates and assumptions underlying the valuation of investment properties and developments are set out in Note 4.

Intangible assets

Intangible assets acquired in the business acquisition of the pharmaceutical segment consisted of operating licenses acquired through Health Canada. These licenses were recorded at cost less accumulated amortization. The licenses have now been fully amortized as at December 31, 2015.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded.

Stock-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuing its stock options to employees and directors at the date of issue. Management uses estimates of the expected life, the risk-free rate, expected volatility, and expected forfeiture rate when calculating the value of the options issued. These estimates may vary from the actual expense incurred.

Sales returns provision

The Company has an informal policy whereby it accepts product returns from customers in its pharmaceutical segment. The provision recorded for estimated product returns is based on historical

experience, market conditions, and knowledge of business. Actual sales returns experienced may differ from this estimate. The provision is presented as net against the pharmaceutical sales.

Inventory

Inventory is measured at the lower of cost and net realizable value. Management uses the most reliable evidence, such as current sales prices and vendor price lists, available at the time in determining the net realizable values of the inventory.

(u) Future accounting pronouncements

The Company has reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective as at the date of authorization of these consolidated financial statements. The Company plans to apply the revised standards on their effective date.

IFRS 2 *Share-based Payment* has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in June 2016. The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

IFRS 9, “Financial Instruments” (“IFRS 9”), issued in July 2014, and replaces IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 addresses the classification and measurement of all financial assets and financial liabilities within the scope of the current IAS 39 and a new expected credit loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting. Also included are the requirements to measure debt-based financial assets at either amortized cost or fair value through profit or loss (“FVTPL”) and to measure equity-based financial assets as either held-for-trading or as fair value through other comprehensive income (“FVTOCI”). No amounts are reclassified out of other comprehensive income (“OCI”) if the FVTOCI option is elected. Additionally, embedded derivatives in financial assets would no longer be bifurcated and accounted for separately under IFRS 9. A new general hedge accounting standard, part of IFRS 9 (2013), was issued in November 2013, permitting additional hedging strategies used for risk management to qualify for hedge accounting. The IASB has set January 1, 2018 as the effective date for the mandatory application of IFRS 9. The Company is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

IFRS 15, “Revenue from Contracts with Customers” was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18 Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue-Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard’s requirements will also apply to the recognition and measurement of some gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 16, “Leases” was issued in January 2016. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting, however, remains largely unchanged, and the distinction between operating and finance leases is retained. This standard will be effective for annual periods beginning after January 1, 2019, with early adoption permitted so long as IFRS 15 has been adopted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

Amendments to IAS 1, “Presentation of Financial Statements” (“IAS 1”): Disclosure Initiative

The amendments to IAS 1 clarify rather than significantly change existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company’s disclosure.

4. Investment properties

Level 3	Year ended September 30, 2016	Year ended September 30, 2015
Balance beginning of year	\$ 148,563,735	\$ 125,764,386
Additions:		
Capital expenditures	364,194	350,022
Amortized tenant inducements	372,727	-
Leasing commissions net of amortization	(199,170)	(188,712)
Property acquisitions	12,436,069	15,537,606
Revaluation gains, net	1,135,699	5,018,680
Investment properties transferred to held for sale	-	(8,104,500)
Investment properties transferred from held for sale	-	9,934,400
Investment property sold	(3,151,308)	-
Change in straight-line revenues	112,541	251,853
Balance end of year	\$ 159,634,487	\$ 148,563,735

Valuation methodology and processes

The fair value of investment properties as of September 30, 2016 and September 30, 2015 is determined internally by management using the assumptions and market information obtained from industry professionals and qualified external appraisers. Management uses inputs from external appraisers as additional sources of information when recording property specific attributes. Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all of the investment properties are classified as Level 3 assets, with the exception of investment property held for sale. The Company’s policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At September 30, 2015, one investment property was transferred from Level 3 to Level 2 and classified as investment property held for sale, as there is a current offer to purchase the property thereby establishing a reliable

measure of fair value. At June 30, 2016 an additional investment property was transferred to Level 2 as there was an unconditional offer to purchase the property. This property was sold September 1, 2016.

During the prior year, properties that were held for sale were transferred back to the category of investment properties, as the sales agreements were not completed. There were no other transfers in or out of Level 3 fair value measurements for investment properties during the year.

Management's primary internal valuation model is based on a capitalization of forecasted normalized net operating income approach. The Company determines the forecasted normalized net operating income using a one-year income forecast for each property based on current in-place rents and assumptions about occupancy, less cash outflows expected to operate and manage each individual property within the portfolio. Capitalization rates used to estimate fair market value take into account many factors including but not limited to; the location of the property, the size of the land parcel, site coverage, the quality and strength of tenants, whether lease rates are over or under current market rates, demand for the type and use of the property, the age of the building, any special use characteristics of the building or area, whether it is single tenant or multi tenanted and vacancy rates in the area. Market information related to the external sale of similar buildings within a similar geographic location is also taken into consideration.

These factors were used to determine the fair value of investment properties at each reporting date. Investment properties are valued on a highest and best use basis. For all of the Company's investment properties, with the exception of the Oliver Crossing property and vacant land, the current use is considered to be the highest and best use. The Company's executive management team is responsible for determining fair value measurements including verifying all major inputs included in the valuation. Management, along with the Audit Committee, discuss the valuation process and key inputs on a quarterly basis.

The key level 3 valuation metrics for the investment properties with the exception of those described below are set out in the following tables:

	September 30, 2016	September 30, 2015
Range of capitalization rates applied to investment properties	5.75%-6.5%	5.5%-6.5%
Fair values of properties where cap rates were applied	\$ 147,890,087	\$ 136,819,332
Weighted average cap rates	6.07%	6.01%
Fair value impact of increasing average cap rate by 0.25%	\$ (5,862,213)	\$ (5,425,533)
Fair value impact of a 1% decrease in net operating income	\$ (1,488,191)	\$ (1,368,187)

This calculation was used on all of the investment properties with the exception of the Oliver Crossing, vacant land, and properties held for sale.

The market value of Oliver Crossing is based on the total square footage of land multiplied by a dollar value per square foot. Vacant land was valued using management's research of similar vacant land that has sold recently, or is available for sale. Investment properties held for sale are valued at the purchase sale agreement.

	September 30, 2016	September 30, 2015
Oliver Crossing		
Fair value	\$ 8,400,000	\$ 8,400,000
Impact of a \$10 change in price per square foot	\$ 525,000	\$ 525,000
Vacant land		
Average price per acre of land held	\$ 958,281	\$ 958,281
Number of acres held	3.49	3.49

Total fair values of land held	\$ 3,344,400	\$ 3,344,400
Impact of a 10% change in average price per acre	\$ 334,400	\$ 334,400

Included in the carrying amount of investment properties are the following:

	September 30, 2016	September 30, 2015
Straight line rent receivable	\$ 1,215,098	\$ 1,102,557
Leasing costs	811,031	1,010,197
Tenant inducements receivable	372,727	-
	\$ 2,398,856	\$ 2,112,754

All of the above are amortized over the terms of the respective leases.

Investment properties held for sale – Level 2

At September 30, 2015 the Company entered into an unconditional purchase and sale agreement with an arm's length purchaser to sell 12.89 acres of vacant land in Edmonton. The closing of the sale was expected to take place in Q3 2016 but has been extended to allow the purchaser to obtain financing. The total sale price is \$8,385,000. A deposit on the sale agreement of \$250,000 was received by the Company at September 30, 2015 and included in cash and cash equivalents. The balance of the purchase price due in the amount of \$8,135,000 is to be received by the Company as a second cash deposit in the amount of \$750,000 at closing, and \$7,385,000 will be carried by the Company as a first mortgage with a two year term. Monthly payments on the mortgage receivable are interest only, at an annual rate of 3.5%.

Gain on the sale of investment property

At June 30, 2016 the Company entered into a purchase and sale agreement with an arm's length purchaser to sell the M&D Drafting land and building located in southeast Edmonton. The sale was completed on September 1, 2016 for a total sale price of \$3,400,000, resulting in a gain on the sale of \$39,427.

5. Intangible assets

Intangible assets include software for the pharmaceutical segment as well as Health Canada Licenses. Amortization recorded in the accounts uses the straight-line method for the licenses, which are now fully amortized. At December 31, 2015 the intangible assets in IDCI were assumed by the purchaser and included in the sale of the subsidiary. The Company determined there was no indication of impairment at September 30, 2015.

	GROSS CARRYING AMOUNT			ACCUMULATED AMORTIZATION			Ending Balance 30-Sep-16
	Opening Balance	Sale of	Ending Balance	Opening Balance	Current	Sale of	
	1-Oct-15	Subsidiary	30-Sep-16	1-Oct-15	Amortization	Subsidiary	
Software	\$ 132,376	\$(132,376)	\$ -	\$ 103,924	\$ 1,423	\$ (105,347)	\$ -
Licences	\$ 579,197	\$(579,197)	\$ -	\$ 558,203	\$ 20,994	\$ (579,197)	\$ -
	\$ 711,573	\$(711,573)	\$ -	\$ 662,127	\$ 22,417	\$ (684,544)	\$ -

	GROSS CARRYING AMOUNT			ACCUMULATED AMORTIZATION			Net Carrying Amount
	Opening Balance		Ending Balance	Opening Balance	Current	Ending Balance	
	01-Oct-14	Additions	30-Sep-15	1-Oct-14	Amortization	30-Sep-15	
Software	\$ 132,376	\$ -	\$ 132,376	\$ 96,812	\$ 7,112	\$ 103,924	\$ 28,452
Licences	\$ 579,197	\$ -	\$ 579,197	\$ 500,283	\$ 57,920	\$ 558,203	\$ 20,994
	\$ 711,573	\$ -	\$ 711,573	\$ 597,095	\$ 65,032	\$ 662,127	\$ 49,446

6. Property and equipment

Property and equipment held in the subsidiary were included in the sale at December 31, 2015.

	GROSS CARRYING AMOUNT			ACCUMULATED DEPRECIATION			Ending Balance 30-Sep-16
	Opening Balance	Sale of	Ending Balance	Opening Balance	Current	Sale of	
	1-Oct-15	Subsidiary	30-Sep-16	1-Oct-15	Amortization	Subsidiary	
Furniture							
& Fixtures	\$ 104,316	\$(104,316)	\$ -	\$ 79,879	\$ 1,222	\$ (81,101)	\$ -
Computers	\$ 154,383	\$(154,383)	\$ -	\$ 149,888	\$ 615	\$ (150,503)	\$ -
Vault & cage	\$ 67,204	\$ (67,204)	\$ -	\$ 59,981	\$ 361	\$ (60,342)	\$ -
Leaseholds	\$ 54,214	\$ (54,214)	\$ -	\$ 48,367	\$ 292	\$ (48,659)	\$ -
	\$ 380,117	\$(380,117)	\$ -	\$ 338,115	\$ 2,491	\$ (340,606)	\$ -

	GROSS CARRYING AMOUNT			ACCUMULATED DEPRECIATION			Net Carrying Amount
	Opening Balance	Additions	Ending Balance	Opening Balance	Current provision	Ending Balance	
	1-Oct-14	(Disposals)	30-Sep-15	1-Oct-14	net of disposals	30-Sep-15	
Furniture							
& Fixtures	\$ 390,141	\$(285,825)	\$ 104,316	\$ 170,897	\$ 21,371	\$ 79,879	\$ 24,437
Computers	\$ 154,383	\$ -	\$ 154,383	\$ 144,437	\$ 5,451	\$ 149,888	\$ 4,495
Vault & cage	\$ 67,204	\$ -	\$ 67,204	\$ 58,175	\$ 1,806	\$ 59,981	\$ 7,223
Leaseholds	\$ 54,214	\$ -	\$ 54,214	\$ 46,906	\$ 1,461	\$ 48,367	\$ 5,847
	\$ 665,942	\$(285,825)	\$ 380,117	\$ 420,415	\$ 30,089	\$ 338,115	\$ 42,002

7. Receivables

	September 30, 2016	September 30, 2015
Tenant receivables-real estate	\$ 110,585	\$ 258,123
Trade receivables-pharmaceuticals	-	6,438,780
Less provision for sales returns- pharmaceuticals	-	(12,890)
Inventory-product returns-pharmaceuticals	-	196,491
Total Receivables	\$ 110,585	\$ 6,880,504

There is no significant credit risk with respect to trade receivables in the real estate segment as the Company has a large number of tenants that are multinational companies with solid credit ratings. The receivables at September 30, 2016 include invoices for occupancy costs that were reconciled at September 30, 2016. There is one tenant with rental arrears and the Company is working with this tenant to allow them sufficient time to bring their account current. The pharmaceutical segment's receivables were included in the sale at December 31, 2015. There was no provision for impaired receivables at September 30, 2016 and September 30, 2015 as management has assessed the receivables to be collectible.

8. Prepaid expenses and deposits

	September 30, 2016	September 30, 2015
Prepaid operating expenses	\$ 335,762	\$ 456,023
Deposit on offer to purchase investment property	150,000	-
Security deposits with municipalities	9,000	67,705
Total	\$ 494,762	\$ 523,728

Prepaid operating expenses at September 30, 2016 are for property insurance and property taxes. At September 30, 2015 prepaid expenses include property taxes, insurance, annual license fees and normal operating expenses that include the pharmaceutical operations. Certain prepaid expenses in the subsidiary were included in the sale of the subsidiary at December 31, 2015.

The Company has entered into an agreement to purchase land and a building in northwest Edmonton for a total purchase price of \$2,050,000. Pursuant to the offer, a deposit of \$150,000 was placed with the balance due on closing in Q1 2017 (Note 23).

9. Mortgages

<u>Maturity</u>	<u>Rate</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>Lender</u>
December 1, 2015	4.285%	-	1,947,397	CIBC
December 1, 2015	4.285%	-	3,595,196	CIBC
December 1, 2015	4.285%	-	861,349	CIBC
April 1, 2017	3.560%	-	1,532,205	CWB
October 1, 2021	2.470%	8,900,000	-	RBC
January 1, 2019	2.630%	2,913,260	-	RBC
January 1, 2021	2.980%	4,228,624	-	RBC
January 1, 2021	2.980%	6,543,036	-	RBC
January 1, 2019	2.630%	2,312,338	-	RBC
January 1, 2019	2.620%	2,062,814	2,216,122	RBC
April 1, 2021	2.880%	6,750,298	7,095,736	RBC
October 1, 2016	3.130%	7,814,010	8,338,726	RBC
April 1, 2017	3.525%	853,823	989,922	CIBC
June 1, 2017	2.810%	2,779,193	2,958,178	RBC
September 1, 2017	3.486%	2,775,287	2,979,118	CIBC
October 1, 2017	3.357%	2,433,395	2,611,941	CIBC
January 1, 2018	3.100%	955,634	1,025,036	RBC
October 1, 2018	3.610%	837,714	939,790	RBC
July 1, 2019	3.450%	11,520,792	11,981,760	RBC
November 1, 2019	3.334%	10,266,587	10,672,136	CIBC
July 1, 2024	5.000%	1,646,312	1,814,260	Private
Total mortgages		75,593,117	61,558,871	
Less current portion:		(19,813,977)	(18,212,893)	
Less transactions costs:		(215,323)	(120,689)	
		55,563,817	43,225,289	
Weighted average rates		3.10%	3.56%	

All of the above mortgages are repayable in blended monthly payments of interest and principal. The security pledged for each mortgage is limited to the related investment property.

10. Other financing

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Other financing, beginning of the year	\$ 2,925,000	\$ 645,000
Advances from related parties during the period	500,000	4,186,000
Advances from private parties during the period	-	1,150,000
Repayments of other financing	(3,425,000)	(3,056,000)
Total other financing, end of the year	\$ -	\$ 2,925,000

Repayments of advances from related parties and private parties during the year in the amount of \$3,425,000 (September 30, 2015 - \$3,056,000) were repaid with interest at a rate of 8% per annum (September 30, 2015 – 8% per annum). These loans were unsecured with no specified date of repayment. The fair value of related party loans at September 30, 2015 approximates their carrying value as the amounts were due on demand.

11. Bank operating facilities

	September 30, 2016	September 30, 2015
<i>Operating lines of credit</i>		
Imperial Equities Inc.	\$ 2,502,387	\$ 9,756,848
Imperial Distributors Canada Inc.	-	2,663,411
Total	\$ 2,502,387	\$ 12,420,259

The Company has credit facilities set out as follows:

Imperial Equities Inc. has an operating line of credit for general business purposes with a limit of \$1,800,000 (September 30, 2015 - \$1,800,000). The line of credit bears interest at prime plus 1% (September 30, 2015 prime plus 1%). At September 30, 2016 the balance on the line of credit is zero (September 30, 2015 - \$1,759,469). The line of credit is secured by a specific investment property with a fair value of \$8,400,000 (September 30, 2015 - \$8,400,000). There are no financial covenant ratios required for this line of credit.

At September 30, 2015 Imperial Equities Inc. had an additional operating line of credit to assist with property acquisitions and general operations of the real estate segment with a limit of \$8,000,000 and a balance at September 30, 2015 of \$7,997,378. During Q1 2016 this line of credit was repaid in full with the proceeds of new mortgages. The Company no longer required a limit of \$8,000,000 within the line of credit and chose to reduce the amount to a \$3,000,000 revolving demand credit facility to assist with property acquisitions, payment of development costs and general corporate purposes. This reduced limit saves the Company on standby fees associated with an unused portion of the facility. The new facility bears interest at prime plus 1% per annum and is secured by a specific revenue producing property with a fair value of \$6,772,780 at September 30, 2016. The balance on this line of credit at September 30, 2016 is \$2,502,387. The Company pays a standby fee of .25% per annum, payable monthly on the un-drawn portion of the facility. Specific covenants of this credit facility are that there be a minimum of 90% occupancy of the secured building and adherence to a margin formula as outlined below.

Availability under the facility will be restricted to the lending value assigned to the property which will be the lesser of: a) the level at which a Debt Service Coverage Ratio of 1.30 can be maintained, less the Prior Debt on the property, or b) the level at which a Loan to Value Ratio of 65% can be maintained with respect to the secured property, over which the Lender has a 1st mortgage and 60% with respect to the secured property over which the Lender holds a 2nd mortgage, less the prior debt on the property. For this secured property, the loan to value is set at 65%.

Debt service = annual principal and interest payments based on 25 year amortization and an interest rate that is the greater of 5.5% or the Government of Canada Benchmark Bond Yields plus 225 basis points.

Net Operating Income is stabilized operating income from the secured property adjusted for normal operating expenses, common area maintenance expenses, property taxes and other expenses that are not recovered from the tenant.

Loan to Value Ratio is the total debt on the property divided by the current market value of the property.

At September 30, 2016 the debt service coverage ratio is 5.93 and the loan to value ratio is 13%.

At September 30, 2015 the \$8,000,000 line of credit was available to assist the Company with property acquisitions and general operations of the real estate segment. The line of credit bore interest at prime plus 1% and was secured by three specific investment properties with a total fair value of \$18,308,730 at September 30, 2015. The balance outstanding on the line of credit at September 30, 2015 was \$7,997,378. Availability under the prior year facility

was restricted to the lending value assigned to each securing property which was the lesser of: a) the level at which a Debt Service Coverage Ratio of 1.25 can be maintained, less the Prior Debt on the property, or b) the level at which a Loan to Value Ratio of 70% can be maintained with respect to the secured property, over which the Lender has a 1st mortgage and 70% with respect to the secured property over which the Lender holds a 2nd mortgage, less the prior debt on the property. At September 30, 2015 one of the secured properties was clear title. The aggregate debt service coverage ratio for the secured properties is 4.96 and the aggregate loan to value ratio is 16% at September 30, 2015.

Imperial Distributors Canada Inc. has an operating line of credit with a limit of \$8,000,000 at September 30, 2015. The loan bears interest at prime plus .85% and is secured by a general security agreement with IDCI, a general assignment of book debt and inventory of IDCI, as well as a corporate guarantee provided by Imperial Equities Inc. in the amount of \$8,000,000. Specific covenants and conditions of the credit facility are that the Company is not without prior written consent, to exceed a ratio of debt to tangible net worth of 3.0 to 1.0. A second covenant is not to permit its ratio of current assets to current liabilities to be less than 1.2 to 1. A third covenant states it cannot permit any non-compliance with any regulatory agency or licensing agreements. At September 30, 2015 the ratio of debt to net worth was 2.58, the current ratio was 1.38. There was no non-compliance with any regulatory agency or licensing agreements. This liability was part of the total liabilities assumed by the purchaser with the sale of IDCI at December 31, 2015. The corporate guarantee provided by Imperial Equities Inc. was removed.

12. Payables and accruals

	September 30, 2016	September 30, 2015
Trade payables-pharmaceuticals	\$ -	\$ 5,512,298
Trade payables-real estate	275,758	300,052
Accrued loan interest	176,141	266,745
Current portion of tenant security deposits	79,619	43,962
Accrued payables	110,244	105,540
Prepaid rents	176,977	176,644
Total	\$ 818,739	\$ 6,405,241

Trade payables in the pharmaceutical segment were assumed as part of total liabilities on the sale of the subsidiary at December 31, 2015. Prepaid rents from tenants largely relate to rent due on the first of the following month, and the balance of rents paid in advance is amortized over the applicable months. The carrying value of payables and accruals approximates fair value due to their short term maturity.

13. Income taxes

a) Provision for income taxes

Components of income tax expense

	2016	2015
Current tax expense	\$ 654,646	\$ 471,104
Deferred tax expense	914,087	2,117,747
	\$ 1,568,733	\$ 2,588,851

The actual income tax provision differs from the expected amount calculated by applying Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	2016	2015
Expected income tax expense at 27% (2015-25.00%)	\$ 1,918,534	\$ 2,355,295
<i>Increase (decrease) resulting from:</i>		
Non-deductible items	3,599	3,594
Rate differences	(335,903)	-
Other	(17,497)	229,962
	\$ 1,568,733	\$ 2,588,851

b) Deferred taxes

Current year deferred tax assets are attributable to the following:

	September 30, 2016	September 30, 2015
Financing fees	\$ 12,883	\$ 26,167
Capital assets	-	1,696
Loan receivable	5,825	-
Non-capital losses	12,253	-
Cumulative eligible capital	616	662
Deferred tax assets	31,577	28,526
Offset of tax	(31,577)	(26,830)
Net deferred tax assets	\$ -	\$ 1,696

Current year deferred tax liabilities are attributable to the following:

	September 30, 2016	September 30, 2015
Straight-line rent receivable	\$ 328,076	\$ 297,690
Capital assets	-	-
Investment properties	12,258,648	11,529,645
Intangibles	-	5,668
Tenant inducements	100,636	-
Capital gain reserve	116,557	-
Deferred leasing	218,979	272,754
Tax liabilities	13,022,896	12,105,757
Offset of tax	(31,577)	(26,830)
Net tax liabilities	\$ 12,991,319	\$ 12,078,927

\$30,273,649 related to investments in certain subsidiaries was not recognized because it was not probable that the temporary difference will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

c) Non-capital losses

As at September 30, 2016 The Company has federal and provincial non-capital losses carried forward of \$45,381 (September 30, 2015 - \$Nil).

14. Supplemental consolidated cash flow information from continuing operations

	2016	2015
<i>Change in non-cash working capital</i>		
Decrease (increase) in receivables	\$ 147,539	\$ (144,410)
(Increase) decrease in prepaid expenses and deposits	(35,890)	723,949
(Decrease) increase in payables and accruals	(74,204)	373,093
Increase in income taxes payable	136,553	450,853
Decrease in security deposits	(33,156)	(41,338)
Total	\$ 140,842	\$ 1,362,147
Interest paid from continuing operations	\$ 2,456,214	\$ 2,641,463
Income taxes paid	\$ 465,458	\$ 14,393

15. Share capital

a) The Company has unlimited authorized common share capital.

	September 30, 2016	September 30, 2015
Number of shares issued		
Balance beginning of year	9,747,042	9,545,142
Shares repurchased during the period	(30,800)	-
Shares cancelled during the period	(75,600)	(92,100)
Stock options exercised during the period (Note 17)	-	294,000
Ending number of shares	9,640,642	9,747,042

	September 30, 2016	September 30, 2015
Capital stock		
Balance beginning of year	\$ 6,133,681	\$ 5,155,059
Shares repurchased during the period	(139,322)	-
Shares cancelled during the period	(47,617)	(56,758)
Stock options exercised during the period (Note 17)	-	1,035,380
Ending capital stock	\$ 5,946,742	\$ 6,133,681

The Company received approval from the TSX Venture Exchange to purchase up to 488,682 common shares representing 5% of the outstanding shares under a normal course issuer bid ("NCIB") that expired August 31, 2016. Subsequent to the expiry date, the Company received further approval to purchase up to 487,577 common shares under an NCIB which expires August 30, 2017.

During the current year, 106,400 shares were repurchased for a total purchase price of \$469,527. Of the shares repurchased, 75,600 were cancelled and the excess purchase price over the cost of the shares issued in the amount of \$282,588 was charged to retained earnings. The balance of 30,800 shares is held in treasury until cancelled.

During the prior year, the Company received approval from the TSX Venture Exchange to purchase up to 477,257 common shares representing 5% of the outstanding shares under a normal course issuer bid ("NCIB") that expired August 28, 2015. During the year 92,100 shares were repurchased for a total purchase price of \$405,938. All of the shares were cancelled and the excess of the purchase price over the cost of the issued shares in the amount of \$349,180 was charged to retained earnings.

b) Contributed surplus

Contributed surplus arises as a result of recording the fair value of options granted under the share option plan and the options granted as part of a share issuance. The fair value of the options is recorded to contributed surplus as the options vest. Upon exercise, the proceeds received, as well as any balance previously recorded to contributed surplus, are credited to capital stock.

	September 30, 2016	September 30, 2015
Contributed surplus, beginning of year	\$ 593,750	\$ 974,970
Expired stock options	-	(154,340)
Stock options exercised (Note 17)	-	(226,880)
Ending contributed surplus	\$ 593,750	\$ 593,750

16. Earnings per share

The following are the weighted average number of shares outstanding for the year ended September 30,

	2016	2015
Net income and total comprehensive income for the period	\$ 5,536,946	\$ 6,646,113
Weighted average shares outstanding – basic	9,678,019	9,661,342
Unexercised dilutive options	18,529	212,169
Weighted average shares outstanding – diluted	9,696,548	9,873,511
Earnings per share – basic		
From continuing operations	\$.46	\$.69
From discontinued operations	\$.12	\$.00
Total earnings per share, basic	\$.58	\$.69
Earnings per share – diluted		
From continuing operations	\$.46	\$.67
From discontinued operations	\$.12	\$.00
Total earnings per share, diluted	\$.58	\$.67

17. Stock-based compensation plan

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

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs)
Opening balance at October 1, 2015	475,000	\$ 4.25	3.92
Ending balance at September 30, 2016	475,000	\$ 4.25	2.92

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs)
Opening balance at October 1, 2014	969,000	\$ 3.49	2.96
Exercised	(294,000)	\$ 2.75	-
Expired	(200,000)	\$ 2.75	-
Ending balance at September 30, 2015	475,000	\$ 4.25	3.92

The Board of Directors may designate which directors, management and key employees of the Company are to be granted options. Under the Directors', Management, Employees' and Consultants' Stock Option Plan (the "Plan"), the number of Common Shares reserved for issuance at any time pursuant is 875,000. An Amendment to the Fixed Stock Option Plan was put forth at the annual and special meeting of the Shareholders held on March 21, 2013. The disinterested shareholders voted for an amendment to the Plan that provides for the maximum number of capital common shares reserved for issuance at any time pursuant to the Plan be increased from 875,000 to 1,800,000. All other components in terms of the Plan remain in full force and effect unamended.

The contractual term of each option granted is five years. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options. All of the options outstanding as of September 30, 2016 and September 30, 2015 are exercisable.

During the prior year, the right to acquire one common share for each option held was exercised by two named executive officers of the Company. A total of 294,000 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. The weighted average share price on the dates of exercise was \$4.47.

18. Rental revenue

The Company leases commercial properties under operating leases with lease terms generally between 3 and 15 years. Some leases have options to extend for further five year terms and one land lease is month to month.

a) Rental revenue

For the year ending September 30 is as follows:

	2016	2015
Rental revenue, contractual amount	\$ 8,657,271	\$ 8,345,672
Amortization of tenant inducements	(27,273)	-
Straight line of rental revenue from leases	112,541	251,853
Rental revenue on statement of comprehensive income	\$ 8,742,539	\$ 8,597,525

Future contracted minimum rent receivable from non-cancellable tenant operating leases is as follows:

	2016	2015
No later than one year	\$ 9,203,566	\$ 8,522,241
2 – 5 years	33,190,326	29,350,290
Over 5 years	29,111,453	27,608,973
Total	\$ 71,505,345	\$ 65,481,503

b) Property operating expenses

	2016	2015
Property taxes	\$ 1,366,689	\$ 1,324,135
Insurance	98,746	92,041
Repairs and maintenance	415,177	567,690
Management fees	495,923	474,480
Utilities	66,672	68,831
Total	\$ 2,443,207	\$ 2,527,177

19. Guarantees and contingencies

a) In the normal course of operations, the Company and its subsidiaries execute agreements that provide for indemnification and guarantees to third parties, such as engagement letters with advisors and consultants, 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.

b) As at December 31, 2015 and September 30, 2015, the pharmaceutical segment has commitments totalling \$49,200 (September 30, 2015 - \$73,800) to a third party for leased space. This liability has been assumed by the purchaser upon the sale of the subsidiary at December 31, 2015.

c) The Company had guaranteed up to \$8,000,000 against the line of credit in IDCI. This guarantee was removed upon the closing of the sale of IDCI.

d) The Company maintains insurance on its properties. The all-risk property insurance includes replacement cost and rental value coverage (including coverage for the perils of flood and earthquake).

e) The Company has contracts in place with related parties to provide property management and asset management. Both contracts have been in place since 1999 and have been renewed on an annual basis with no changes to the terms. Further information can be found in the Related Party Transactions in Note 22.

20. Capital risk management

The Company defines capital that it manages as the aggregate of its 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 favourable terms or with interest rates as favourable 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.

	Year ended September 30, 2016	Year ended September 30 2015
Mortgages	\$ 75,593,117	\$ 61,558,871
Bank operating facilities	2,502,387	12,420,259
Other financing	-	2,925,000
Total debt financing	78,095,504	76,904,130
Equity	78,584,896	73,517,477
	\$ 156,680,400	\$ 150,421,607

21. Financial instruments

	Year ended September 30, 2016	Year ended September 30, 2015
Financial assets		
Loans and receivables		
Cash and cash equivalents	\$ 2,115,033	\$ 1,009,718
Receivables	110,585	6,880,504
Loan receivable (net of amortized discount)	978,425	-
	\$ 3,204,043	\$ 7,890,222
Financial liabilities		
Other financial liabilities		
Bank operating facilities	\$ 2,502,387	\$ 12,420,259
Payables and accruals	818,739	6,405,241
Other financing	-	2,925,000
Security deposits	256,314	289,471
Mortgages	75,593,117	61,558,871
	\$ 79,170,557	\$ 83,598,842

The carrying value of cash and cash equivalents, receivables, loan receivable, bank operating facilities, payables and security deposits approximate their fair value because of the near term maturity of those instruments. The fair value of mortgages payable are a level 2 measurement and are based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at September 30, 2016 is \$78,528,168 (September 30, 2015 - \$61,854,136). 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 interest rate used for this calculation is 2.470% (September 30, 2015 – 3.334%).

The Company's activities expose it to risks arising from financial instruments 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

The Company's maximum exposure to credit risk is the balance of its trade receivables of \$110,585 (September 30, 2015 - \$6,880,504) and cash and cash equivalents of \$2,115,033 (September 30, 2015 - \$1,009,718). 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. Credit risk associated with cash and cash equivalents is mitigated through the Company holding cash and cash equivalents with reputable financial institutions. The Company's receivables at September 30, 2015 mostly related to the pharmaceutical distribution segment which was sold at December 31, 2015. The receivables in IDCI at December 31, 2015 were assumed by the purchaser.

Trade accounts receivable from real estate activities in the Company that have been deemed uncollectible are expensed as bad debts and charged to net income in the period when the account is determined to be doubtful. Estimates for the allowance for doubtful accounts are determined on a tenant-by-tenant evaluation of collectability at each reporting date. As at September 30, 2016 and September 30, 2015 the Company has not recorded any provision for bad debts as it deems all accounts as collectible.

Interest rate risk

The Company's exposure to interest rate risk relates to its short term floating interest rates on bank operating facilities. The required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The balance on the bank operating facilities at September 30, 2016 is \$2,502,387 (September 30, 2015 - \$12,420,259). Under the assumption any balance of debt is outstanding for a further one year; a 1% increase in the prime rate would have a negative impact on the future annual earnings of the Company of \$25,024. The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms varying from two to eight 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 and 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 and private parties. Management estimates that cash flows from real estate activities will provide sufficient cash requirements to cover normal operating and budgeted expenditures. The pharmaceutical segment was sold at December 31, 2015 and the associated liabilities at that date were assumed by the purchaser. The real estate segment was successful during the year to receive new mortgage financing at low rates of interest and renew two mortgages at lower interest rates than the previous terms. The proceeds of the mortgages were used to repay two lines of credit that had balances at September 30, 2015 of \$12,420,259, and pay out the other financing at September 30, 2015 of \$2,925,000.

The Company will be able to meet its future obligations through normal operations and current credit facilities.

Contractual obligations at September 30, 2016

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 19,565,613	\$ 29,084,039	\$ 32,982,457	\$ -	\$ 81,632,109
Payables and accruals	818,739	-	-	-	818,739
Security deposits	79,619	23,904	74,833	157,451	335,807
	\$ 20,463,971	\$ 29,107,943	\$ 33,057,290	\$ 157,451	\$ 82,786,655
Operating facilities	2,502,387	-	-	-	2,502,387
	\$ 22,966,358	\$ 29,107,943	\$ 33,057,290	\$ 157,451	\$ 85,289,042

Contractual obligations at September 30, 2015

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 19,974,160	\$ 23,412,961	\$ 22,631,491	\$ -	\$ 66,018,612
Payables and accruals	6,405,241	-	-	-	6,405,241
Security deposits	43,962	74,637	57,382	157,451	333,432
	\$ 26,423,363	\$ 23,487,598	\$ 22,688,873	\$ 157,451	\$ 72,757,285
Operating facilities	12,420,259	-	-	-	12,420,259
	\$ 38,843,622	\$ 23,487,598	\$ 22,688,873	\$ 157,451	\$ 85,177,544

22. Related party transactions

The following are the related party transactions of the Company.

a) Management Agreements

Sable Realty & Management Ltd. provides property management services to Imperial Equities Inc. The company is owned 100% by the President and CEO of the Company, Sine Chadi. North American Realty Corp. is owned 100% by Mr. Chadi's spouse Seham Chadi, which provides asset management services to the Company. North American Mortgage & Leasing Corp. is owned 100% by Mr. Sine Chadi and provided leased vehicles to IDCI.

Fee structure

Payments to Sable Realty & Management Ltd.:

Property management	4% of gross rents paid plus a flat fee for ground maintenance on certain properties
Property maintenance	\$50/hour for labour plus charges for truck, equipment and parts
Project management	contracted directly with the tenant and charged back under the terms of their lease
Office rent and parking	flat rate of \$8,000 monthly
Warehouse lease space	market rate for comparable leased space
Leasehold improvements	contracted directly with the tenant and charged back under the terms of their lease
Fees for CFO	\$183,000 at September 30, 2016 (September 30, 2015 - \$140,000)

Payments to North American Realty Corp.:

Leasing	3% of the value of lease renewals to a maximum of five years 6% of the value of new leases for the first five years plus 3% of the value of the leases that extend from six years to a maximum of ten years
Acquisitions	1% of the purchase price of the property
Dispositions	3% of the sale price of investment property IDCI disposition fee is 1.5% of the total assets held in IDCI at the sale date excluding deferred taxes and 1.5% of the proceeds of the sale of the shares

Payments to North American Mortgage & Leasing Corp.:

Vehicle leases	Contracted with IDCI and terminated at December 31, 2015
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Payments for the year ending September 30,	2016	2015
Property management and maintenance fees	\$ 588,432	\$ 533,202
Acquisition fees	122,500	152,000
Leasing fees	43,574	39,137
Disposition fees	261,792	-
Vehicle leases	5,226	39,700
Office rent and parking	96,000	96,000
Warehouse lease space	29,919	27,419
Fees for CFO	183,000	140,000
Total	\$ 1,330,443	\$ 1,027,458

Amounts payable at September 30 **\$ 162,961** **\$ 1,769**

b) *Other related party transactions*

- i) 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. Total fees paid for the year ending September 30, 2016 were \$46,500 (September 30, 2015 – \$18,000).
- ii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company's key management personnel include the President Sine Chadi who is also a director of the Company. Total compensation paid to Mr. Chadi for the year ending September 30, 2016 was \$300,000 (September 30, 2015 - \$300,000).
- iii) Other financing

	Balance			Balance
Related parties	Oct. 1, 2015	Advances	Repayments	Sep. 30, 2016
NAMC ¹	\$ 1,325,000	\$ 100,000	\$ (1,425,000)	NIL
Directors ²	\$ 1,000,000	\$ 400,000	\$ (1,400,000)	NIL
Imperial Land ³	\$ 250,000	\$ -	\$ (250,000)	NIL
<i>Subtotals</i>	\$ 2,575,000	\$ 500,000	\$ (3,075,000)	
Unrelated party	\$ 350,000	\$ -	\$ (350,000)	NIL
	\$ 2,925,000	\$ 500,000	\$ (3,425,000)	

1. NAMC is owned 100% by a director and major shareholder of the Company. Total interest paid during the period was \$5,415.
2. Total interest paid during the period to three directors and shareholders of the Company was \$16,763.
3. Imperial Land Corp. is controlled by a director and named executive officer of the Company. Total interest paid during the period was \$4,093.

Interest on the other financing paid during the period was calculated at a rate of 8% per annum.

23. Post-reporting date events

Subsequent to the year end the Company completed a purchase and sale agreement to acquire 1.84 acres in northwest Edmonton with a 7,266 square foot building. The total purchase price of \$2,050,000 was completed with funds from operations and available credit facilities.

Also subsequent to the year end the Company entered into an unconditional purchase and sale agreement to acquire land and a multi-tenant building in west Edmonton. The total purchase price of \$9,800,000 will be completed with conventional mortgage financing, available credit facilities and related party interim financing if required. The closing date of the acquisition is in Q2 2017.

24. Authorization of consolidated financial statements

The consolidated financial statements for the year ending September 30, 2016 (including comparatives) were authorized for issue by the Board of Directors on December 13, 2016.

Signed "Sine Chadi", Director

Signed "Kevin Lynch", Director



BOARD OF DIRECTORS



SINE CHADI
CEO & CHAIRMAN OF THE BOARD

From day one Sine has been the principal driver of Imperial Equities and has overseen all the day to day aspects of Imperial's growth, development and management.

► He brings more than 35 years of professional real estate experience to Imperial and is the founder and principal shareholder of several other companies involved in real estate sales, asset management, property management and mortgage financing. Sine is an active community leader and an enthusiastic organizer and fundraiser for many community groups, charities and not for profit organizations. Sine was a member of the Legislative Assembly of Alberta from 1993–1997. Here he represented his caucus on a number of the Legislature's economic development, public accounts and treasury committees. In 2002 on the occasion of the 50th anniversary of the accession of Her Majesty Queen Elizabeth II to the Throne, Sine was awarded the Golden Jubilee Medal in recognition of his contributions to Canada. In 2005 he was awarded the Alberta Centennial Medal "for outstanding service to the people and Province of Alberta". In 2008 Sine was a finalist for the Ernst & Young Entrepreneur of the year award and in 2012 he was awarded the Queen Elizabeth II Diamond Jubilee Medal in commemoration of the 60th anniversary of Her Majesty's Accession to the Throne and in 2013, Sine was inducted to the city of Edmonton's Hall of Fame.



DIANE BUCHANAN
DIRECTOR

**Director and Chairman of the Gordon & Diane Buchanan Foundation
CEO of Yorkshire Equities Inc.**

► Diane and her husband developed a world-class wellness centre for Albertans impacted by Parkinson disease built in Edmonton and the first of its kind in Canada. She is in the process of establishing an endowment fund to cover the maintenance and operations costs.

Diane has extensive experience in real estate and business operations for over 30 years. She is the former CEO of Advanced Panel Products Ltd. Diane is a former real estate agent that owned several real estate brokerages and has developed several real estate properties including the Union Bank Inn (a 4 star Hotel in downtown Edmonton).



KEVIN L. LYNCH
DIRECTOR

Kevin is a corporate lawyer with one of Edmonton's most prestigious business law firms.

► As a corporate specialist, Kevin focuses his practice on corporate/ commercial law, including securities, acquisitions and divestitures, commercial real estate and financing matters. In addition to his position on Imperial's board, Kevin has acted as Corporate Secretary and director for TSE listed companies. He is also very active in his community as a past St. Albert School Board Trustee; former director of the foundation for Newman Theological College and St. Joseph's Seminary; former president of the Friends of St. Albert Swimming Society and former director of the Olympian Swim Club.



DR. DENNIS MODRY
DIRECTOR

Former Surgeon and Clinical Associate Professor, Cardiovascular and Thoracic Surgery and Critical Care Medicine, University of Alberta Hospital

► A cardiovascular and thoracic surgeon at the University of Alberta Hospital, Dr. Dennis Modry is a major part of the growing institutional excellence and international stature of the University of Alberta as a centre of medical research and treatment. He was instrumental in establishing Western Canada's first heart and lung transplant program at the U of A and he performed its first transplant in 1985. Dr. Modry's continued involvement has been instrumental in creating Canada's most successful transplantation program. This significant achievement has been only one part of a distinguished and much awarded medical career.

Today in addition to medical and academic pursuits, he is also influencing his profession as President of the AMA section of Cardiovascular and Thoracic Surgery and Editorial Board member of the Journal of Heart and Lung and Thoracic Surgery. He is active in administrative matters at the University of Alberta Hospital and is keenly interested in issues of health system reform. His unique vantage point into the health system, provides Imperial with invaluable expertise to help guide the growth and development of Imperial Distributors as part of the overall company.



BILL SMITH
DIRECTOR

**Chair and Senior VP of BioNeutra Global Corporation
President of Bill Smith and Associates**

► Bill is the former Mayor of Edmonton, Canada's fifth largest city and the capital of Alberta. He was first elected in 1995 and served three consecutive terms ending in 2004. As Mayor, Bill's list of accomplishments include, bringing to Edmonton the World masters Games, the Juno awards and the World championships in athletics. He was instrumental in negotiating a share of the Provincial fuel tax, revitalizing Downtown Edmonton and initiatives that made Edmonton the most environmentally responsible city in North America. Prior to being elected Mayor, Bill owned and operated one of Canada's largest independent chain of tire stores with sales of \$90 million per year. He was an All-Star professional football player with the Edmonton Eskimos. Bill currently sits on numerous volunteer boards.



DAVID MAJESKI
DIRECTOR

In 2015, Mr. Majeski retired after 47 years of continuous service with the Royal Bank of Canada.

► He enjoyed a diverse career that included branch network and operations, human resources and commercial markets. Most recently he was the Vice President Real Estate and Construction Services in Edmonton and the market lead for Red Deer north which included north eastern British Columbia and the Territories. In addition to his extensive banking experience, Mr. Majeski is a graduate of the Institute of Corporate Directors – Rotman Directors Education Program. He is an active community member who serves on many not for profit boards including Northlands and the Edmonton Police Foundation. He also serves on special committees for organizations such as MacEwan University, the Glenrose Rehabilitation Hospital Foundation and the CASA Foundation (Child, Adolescent and Family Mental Health).

In 2013 Mr. Majeski was awarded an Honorary Bachelor Degree by MacEwan University and in 2015 he was inducted into the city of Edmonton Hall of Fame for his outstanding community service.



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ANNUAL MEETING

Date: March 3, 2017

Time: 2:00pm
Place: Conference Room A and B
Concourse Level Scotia Place
10060 Jasper Avenue | Edmonton, Alberta





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