INNOVATIVE PROPERTIES INC.

Consolidated Financial Statements

Years Ended October 31, 2010 and 2009

INNOVATIVE PROPERTIES INC.
Index to Consolidated Financial Statements
Years Ended October 31, 2010 and 2009

Auditors' report

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To the shareholders of
Innovative Properties Inc.

We have audited the consolidated balance sheets of **Innovative Properties Inc.** at October 31, 2010 and 2009 and the consolidated income statements and consolidated statements of deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at October 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
February 25, 2011

Chartered Accountants

INNOVATIVE PROPERTIES INC.

Consolidated Income Statements

Years Ended October 31, 2010 and 2009

		2010		2009
REVENUE				
Sales and services revenue	**$**	**527,080**	$	213,005
Management fees		**-**		42,120
Miscellaneous		**-**		464
Interest and miscellaneous		**3,472**		4,331
		530,552		259,920
COST OF SALES		**331,176**		126,912
GROSS PROFIT		**199,376**		133,008
EXPENSES				
Consulting fees		**170,983**		166,819
Salaries and wages		**170,692**		148,724
Accretion of discount on issue of convertible debentures *(Note 9)*		**138,175**		-
Amortization of intangible assets		**121,412**		114,953
Interest and bank charges including debenture interest		**98,520**		21,886
Professional fees		**57,611**		87,487
Directors fees		**54,000**		-
Rent and occupancy		**36,017**		36,229
Interest on long term debt		**20,939**		12,945
Exchange listing expenses		**18,744**		22,966
Insurance		**14,361**		21,214
Telephone		**12,807**		11,245
Amortization		**9,731**		14,791
Office		**6,207**		5,130
Vehicle		**5,747**		11,512
Travel		**4,163**		1,158
Meals and entertainment		**2,548**		3,431
Business taxes, licenses and memberships		**2,401**		1,552
Donations		**1,000**		-
Repairs and maintenance		**922**		290
Advertising and promotion		**784**		15,398
Equipment rentals		**515**		-
Bad debts (recovery)		**252**		(2,063)
Delivery, freight and express		**149**		-
Miscellaneous		**45**		1,912
Stock based compensation		**-**		49,300
		948,725		746,879
NET LOSS AND COMPREHENSIVE LOSS	**$**	**(749,349)**	$	(613,871)
LOSS AND COMPREHENSIVE LOSS PER SHARE-BASIC AND DILUTED *(Note 15)*	**$**	**(0.0318)**	$	(0.0281)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**23,537,825**		21,830,493

INNOVATIVE PROPERTIES INC.

Consolidated Statements of Deficit

Years Ended October 31, 2010 and 2009

		2010		2009
DEFICIT - BEGINNING OF YEAR	**$**	**(1,644,894)**	$	(1,031,023)
NET LOSS FOR THE YEAR		**(749,349)**		(613,871)
DEFICIT - END OF YEAR	**$**	**(2,394,243)**	$	(1,644,894)

INNOVATIVE PROPERTIES INC.

Consolidated Balance Sheets

As at October 31, 2010 and 2009

		2010		2009
ASSETS				
CURRENT				
Accounts receivable	**$**	**23,771**	$	23,228
Inventory		**3,119**		-
Goods and services tax recoverable		**750**		456
Prepaid expenses		**10,332**		23,507
		37,972		47,191
EQUIPMENT *(Note 5)*		**21,644**		30,291
INVESTMENT IN INR CAPITAL INCORPORATED *(Note 6)*		**1**		-
CUSTOMER RELATIONSHIPS *(Note 7)*		**34,760**		63,060
INTELLECTUAL PROPERTY *(Note 7)*		**186,229**		279,341
	$	**280,606**	$	419,883
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
CURRENT				
Bank indebtedness *(Note 8)*	**$**	**54,459**	$	44,771
Accounts payable and accrued liabilities		**147,015**		172,475
Deferred revenue		**9,300**		14,003
Current portion of long term debt *(Note 11)*		**17,933**		27,270
Convertible debentures *(Note 9)*		**600,000**		-
Due to shareholders and related parties *(Note 10)*		**277,225**		326,903
		1,105,932		585,422
LONG TERM DEBT *(Note 11)*		**168,939**		202,881
		1,274,871		788,303
SHAREHOLDERS' DEFICIENCY				
Share capital *(Note 12)*		**908,082**		908,082
Warrants *(Note 13)*		**265,908**		299,256
Contributed surplus *(Note 14)*		**102,484**		69,136
Equity portion of convertible debentures *(Note 9)*		**123,504**		-
Deficit		**(2,394,243)**		(1,644,894)
		(994,265)		(368,420)
	$	**280,606**	$	419,883

GOING CONCERN *(Note 1)*
INDEMNITY *(Note 20)*
SUBSEQUENT EVENT *(Note 23)*
CONTINGENT LIABILITY *(Note 21)*

ON BEHALF OF THE BOARD

"Original Signed" Stewart McInnes Director

"Original Signed" Robert Bell Director

See notes to consolidated financial statements

INNOVATIVE PROPERTIES INC.
Consolidated Statements of Cash Flow
Years Ended October 31, 2010 and 2009

		2010		2009
OPERATING ACTIVITIES				
Net loss and comprehensive loss	**$**	**(749,349)**	$	(613,871)
Items not affecting cash:				
Amortization of equipment and intangible assets		**131,143**		129,744
Stock based compensation		**-**		49,300
Accretion of discount on issue of convertible debentures		**138,175**		-
		(480,031)		(434,827)
Changes in non-cash working capital:				
Accounts receivable		**(545)**		53,461
Inventory		**(3,119)**		-
Accounts payable and accrued liabilities		**(25,462)**		(148,829)
Prepaid expenses		**13,175**		(3,576)
GST payable (receivable)		**(294)**		4,263
Deferred revenue		**(4,703)**		14,003
		(20,948)		(80,678)
Cash flow used by operating activities		**(500,979)**		(515,505)
INVESTING ACTIVITIES				
Purchase of equipment		**(1,083)**		(1,944)
Acquisition of subsidiary companies *(Note 4)*		**-**		(42,695)
Bank indebtedness (net of cash) on acquisition of subsidiary companies *(Note 4)*		**-**		(39,797)
Cash flow used by investing activities		**(1,083)**		(84,436)
FINANCING ACTIVITIES				
Proceeds from convertible debentures (Net of issue costs)		**585,329**		-
Advances from (to) shareholders		**(49,678)**		149,351
Proceeds from long term financing		**15,743**		115,357
Repayment of long term debt		**(59,020)**		-
Issue of capital stock (net of issue expenses)		**-**		32,414
Issue of warrants (net of issue expenses)		**-**		258,023
Cash flow from financing activities		**492,374**		555,145
DECREASE IN CASH FLOW		**(9,688)**		(44,796)
Cash (deficiency) - beginning of year		**(44,771)**		25
DEFICIENCY - END OF YEAR	**$**	**(54,459)**	$	(44,771)
CASH FLOW SUPPLEMENTARY INFORMATION				
Interest paid	**$**	**85,062**	$	24,184
Income taxes paid	**$**	**-**	$	-
CASH CONSISTS OF:				
Bank indebtedness	**$**	**(54,459)**	$	(44,771)

See notes to consolidated financial statements

1. DESCRIPTION OF BUSINESS AND GOING CONCERN

The Corporation is a corporation amalgamated under the Canada Business Corporation's Act. Its principal business is providing property management products and services to residential and commercial property owners.

These financial statements have been prepared on a going-concern basis that contemplates the realization of assets and the payment of liabilities in the ordinary course of business.

As at October 31, 2010, the Corporation had a significant shareholders' deficiency and working capital deficit and it incurred significant losses in the current and prior fiscal years. Subsequent to the year end the Corporation transferred shares of its subsidiary companies to debenture holders (see Note 23).

The Corporation's ability to continue as a going concern is dependent upon its ability to secure equity and/or debt financing sufficient to meet current and future obligations and commence or acquire a new business.

The statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Corporation be unable to continue in existence.

Corporation management is actively pursuing investment capital to finance operations until a new business opportunity can be undertaken.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of presentation

These consolidated financial statements have been prepared under Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition.

Financial instruments – recognition and measurement

Section 3855 of the CICA Handbook provides guidance for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

The Corporation has classified its cash and cash equivalents as held-for-trading for accounting purposes, which are measured on the balance sheet at fair value. Accounts receivable are classified as loans and receivables and are recorded at amortized cost. Accounts payable and accrued liabilities, security deposits and long-term debt are classified as other financial liabilities and are measured at amortized cost. Notes payable, convertible debentures payable, and bank indebtedness are classified as other financial liabilities and recorded at amortized cost using the effective interest rate method.

Transaction costs for financial assets and liabilities classified as available for sale and as loans and receivables will be recognized immediately in net income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting estimates

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. Examples include the allowance for doubtful accounts, loss provisions and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Equipment

Equipment is stated at cost less accumulated amortization. Equipment is amortized over their estimated useful lives at the following rates and methods:

Computer equipment	50%	diminishing balance method
Other machinery and equipment	20%	diminishing balance method
Furniture and equipment	20%	diminishing balance method

The Corporation regularly reviews its equipment to eliminate obsolete items. Government grants are treated as a reduction of equipment cost.

Equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Investment in INR Capital Incorporated

The Corporation owns 20% of the outstanding voting shares of INR Capital Incorporated and exercises significant influence over the operations of INR Capital. Accordingly, the investment is accounted for by the equity method whereby the investment is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and dividends received.

Customer Relationships and Intellectual Property

The value of customer relationships arising on the acquisition of a subsidiary company are being amortized on a straight-line basis over the average term of the relationships, currently estimated to be three years.

The value of Intellectual Property arising on the acquisition of subsidiary companies is being amortized on a straight-line basis over its useful life, currently estimated to be four years.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable.

If it is determined that the net recoverable value of a long-lived asset is less than its carrying value, the long-lived asset is written down to its fair value. Net recoverable amount represents the undiscounted estimated future cash flow expected to be received from the long-lived asset. Assets reviewed under this policy include equipment, customer relations and intellectual property.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Convertible debt instruments

The Corporation's convertible debt instruments are segregated into their debt and equity elements at the date of issue, based on the relative fair market values of these elements in accordance with the substance of the contractual agreements. The fair market value of option provisions is determined using the Black Scholes Model. The debt element of the instruments is classified as a liability, and recorded as the present value of the Corporation's obligation to make future interest payments in cash, and settle the redemption value of the instrument in cash or in shares. The carrying value of the debt element is accreted to the original face value of the instruments, over their deemed life, using the effective interest method.

Income taxes and Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Tax loss carry-forwards are recognized as a future income tax asset to the extent that it is more likely than not that they will be realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Revenue recognition

a) Revenue from sales of products is recognized when title passes to the customer, which generally coincides with the delivery and acceptance of goods.

b) Revenue derived from the sale of services contracts is recognized as revenue on a straight-line basis over the term of the contract.

c) Consulting and management fee revenue is recorded at the time the service is rendered in the normal course of business.

Stock Based Compensation

The Corporation grants stock options to employees, officers, and directors as determined by the Corporation's Board of Directors. Stock options granted to the directors of the Corporation are granted subject to approval of the Corporation's shareholders. The Corporation does not repurchase stock options from optionees.

Compensation costs attributable to all stock options granted are measured at fair value at the grant date, using the Black-Scholes Model, and are expensed over the vesting period with a corresponding increase to contributed surplus. The Black-Scholes Model requires the input of highly subjective assumptions including expected stock price volatility. Differences in input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of any stock options granted.

Upon the exercise of the option, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income (loss) per share

Basic income (loss) per share is calculated using the weighted average number of shares outstanding during the period. Diluted income (loss) per share is calculated using the treasury stock method. In order to determine diluted income (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. All dilutive instruments result in a reduction in loss per share and therefore the diluted loss per share is not disclosed.

Future changes in significant accounting policies

The following accounting standards have been issued by the CICA but are not yet effective:

International Financial Reporting Standards
In January 2006, the Canadian Accounting Standards Board announced its decision requiring all publicly accountable entities to report under International Financial Reporting Standards. This decision establishes standards for financial reporting with increased clarity and consistency in the global marketplace. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 and are applicable for the Corporation's first quarter of fiscal 2012 with retroactive adoption effective with the prior fiscal year.

The Corporation has taken a number of steps to evaluate and prepare for implementation of these new standards on the consolidated financial statements.

3. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from customers. In order to reduce its credit risk, the Corporation conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Fair Value

The Corporation's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value due to the immediate or short term maturity of these instruments.

The fair value of convertible debentures approximates the fair value as the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms.

Included in Due to certain shareholders and related parties is $192,204 for which the fair value is less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.

The carrying value of long term debt and interest bearing amounts due to shareholders is not materially different from fair value based on the interest rates and maturities in relation to current rates offered to the Corporation for debt with similar terms.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate price risk through its fixed rate debt and interest rate cash flow risk through its floating interest rate bank indebtedness and credit facilities.

Liquidity risk

Liquidity risk is the risk that the Corporation may not have cash available to satisfy its liabilities as they come due. The Corporation actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

Market conditions allowing, the Corporation will access debt capital markets for various long-term debt maturities and as other liabilities come due or as assessed to be appropriate in order to minimize risk.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at October 31, 2010.

	2011	2012	2013	2014	2015	Total
Accounts payable	$ 147,015	-	-	-	-	$ 147,015
Payable to related parties	$ 277,225	-	-	-	-	$ 277,225
Convertible debenture	$ 600,000	-	-	-	-	$ 600,000
Long term debt	$ 17,933	51,517	48,239	36,000	33,183	$ 186,872
Interest on long term debt	$ 4,841	1,583	246	-	-	$ 6,670
	$ 1,047,014	53,100	48,485	36,000	33,183	$ 1,217,782

4. ACQUISITION

In January, 2009, the Corporation purchased all of the issued and outstanding common shares of DIME INC. (“DIME”) and Dime's subsidiary Line 4 Communications Inc. ("Line 4"). The acquisition has been accounted for as a business combination and the results of operations have been included in the consolidated financial statements from February 1, 2009.

In June, 2009 the Corporation completed calculations of purchase adjustments with respect to Line 4. As a result, the Corporation and DIME cancelled the issue of 1,000,000 common shares, $250,370 non-voting preferred shares, and $60,000 of a note payable to a shareholder issued as consideration for Line 4.

The Corporation paid for the shares of DIME with a combination of shares and warrants of the Corporation and preferred shares of DIME as follows :

- ♦ 3,000,000 common shares (1,000,000 were later cancelled) of the Corporation at an issue price of $0.065 per share releasable in installments up to 24 months after the closing date;
- ♦ $143,998 in non-voting no return redeemable preferred shares of DIME, which are redeemable by the holders at a rate of 25% of the after tax net profits of DIME;
- ♦ $250,370 (subsequently cancelled) in non-voting no return redeemable preferred shares of Line 4;
- ♦ 130,000 warrants (valued at $7,163) to purchase common shares of the Corporation for $0.10 per common share for a period of 2 years releasable in installments from 12 months to 24 months after the closing date.

Details of the acquisition are as follows :

		2009	
NET ASSETS ACQUIRED:			
Cash	$	**10,161**	
Accounts receivable		**76,688**	
Prepaid expenses		**2,646**	
Total current assets acquired		**89,495**	
Bank indebtedness		**(49,958)**	
Accounts payable and accrued liabilities		**(209,259)**	
Due to shareholders		**(36,117)**	
Total current liabilities assumed		**(295,334)**	
Working capital deficiency assumed		**(205,839)**	
Future income tax liability assumed		**(125,341)**	
Future income tax asset recognized		**125,341**	-
Computer and office equipment		**43,138**	
Customer relationships		**84,898**	
Intellectual property		**372,455**	
	$	**294,652**	

CONSIDERATION:		
Non-voting no return redeemable preferred shares of subsidiaries - valued using effective interest method	**$**	**114,794**
Common shares issued (after giving effect to subsequent cancellation)		**130,000**
Warrants issued		**7,163**
Cash for professional fees		**42,695**
	$	**294,652**

5. EQUIPMENT

	Cost	Accumulated amortization	**2010 Net book value**
Computer equipment	$ 33,466	$ 19,908	**$ 13,558**
Other machinery and equipment	4,023	1,067	**2,956**
Furniture and equipment	7,100	1,970	**5,130**
	$ 44,589	$ 22,945	**$ 21,644**

	Cost	Accumulated amortization	**2009 Net book value**
Computer equipment	$ 34,442	$ 13,166	**$ 21,276**
Other machinery and equipment	3,540	560	**2,980**
Furniture and equipment	7,100	1,065	**6,035**
	$ 45,082	$ 14,791	**$ 30,291**

6. INVESTMENT IN INR CAPITAL INCORPORATED

The investment was acquired for $1 during the year by subidiary DIME Inc. and the share of income for the year was $Nil. This investment was disposed of in conjunction with the transfer of DIME shares to debenture holders-see Note 23.

7. CUSTOMER RELATIONSHIPS AND INTELLECTUAL PROPERTY

	2010	2009
Customer relationships	**$ 84,898**	$ 84,898
Accumulated amortization - customer relationships	**(50,138)**	(21,838)
	$ 34,760	$ 63,060
Intellectual property	**372,455**	372,455
Accumulated amortization - intellectual property	**(186,226)**	(93,114)
	$ 186,229	$ 279,341

8. BANK INDEBTEDNESS

Bank indebtedness includes an operating line of a subsidiary company with a limit of $50,000. It is secured by a general security agreement and a guarantee by a shareholder and bears interest at prime + 2%.

9. CONVERTIBLE DEBENTURES

In November and December, 2009, the Corporation closed the issue of $600,000 in Secured Convertible Debentures ("Debentures"). The Debentures bear interest at the rate of fifteen percent (15%) per annum, with interest payable quarterly, and were scheduled to mature on June 30, 2010. Agreements were reached in June, 2010 with all debenture holders to extend the term of the convertible debenture to June 30, 2011. Debenture holders may convert the Debentures into common shares of the Corporation at a conversion rate of $0.10 per Share at any time until the Maturity Date. The Debentures are secured by the pledge of the common shares of DIME Inc., a wholly-owned subsidiary of the Corporation.

A total of $270,000 of the the issue was subscribed to by insiders of the Corporation, including the Chief Executive Officer, Chief Financial Officer and two of the Corporation's directors.

Included in accounts payable and accrued liabilities is accrued interest of $9,099 payable to the above insiders.

The convertible debentures have characteristics of both debt and equity, and as such, on issuance, an amount of $473,400 was classified as a liability and the remaining $126,600 recorded in equity for total gross proceeds of $600,000. As a result, interest expense includes a charge for interest as well as accretion of the liability of the convertible debentures' aggregate face value outstanding of $600,000 to maturity.

	Liability	Equity
Total issue price	$ 600,000	$ -
Less issue price allocated to equity element - option provision	(126,600)	126,600
Issue costs	(11,575)	(3,096)
Amortization using the effective interest method - expense	138,175	-
	$ 600,000	$ 123,504

10. DUE TO SHAREHOLDERS AND RELATED PARTIES

		2010		2009
Loan and accrued interest from a director and shareholder. This loan is unsecured, with no set terms of repayment. The loan was interest bearing at a rate of 9% until January 31, 2009 and was changed to a non-interest bearing loan on February 1, 2009.	**$**	**31,088**	$	66,092
8% loan payable payable to a director and shareholder, unsecured with no set terms of repayment.		**75,000**		-
Payable to a company controlled by an officer and shareholder, unsecured, non-interest bearing with no set terms of repayment. Interest was accrued on this balance at a rate of 10% per annum from May 1, 2009 until October 31, 2009.		**29,300**		124,996
Short term loans from shareholders/directors and a company controlled by an officer and shareholder, unsecured, non-interest bearing with no set terms of repayment. Interest was accrued on these balances at a rate of 10% per annum from May 1, 2009 until October 31, 2009.		**51,785**		89,000
Other amounts payable to shareholders, unsecured, non-interest bearing, with no set terms of repayment.		**6,017**		7,970
Short term loan from a shareholder/director bearing interest at 4% per annum, unsecured.		**10,021**		13,845
Short term loan from a company that purchased a portion of a convertible debenture issue, bearing interest at 10% per annum, unsecured.		**-**		25,000
Accrued liabilities to directors and companies controlled by officers for services rendered, unsecured, non-interest bearing with no set terms of repayment.		**74,014**		-
	$	**277,225**	$	326,903

Long term debt also includes amounts owing to shareholders.

11. LONG TERM DEBT

	2010	2009
Non-voting no return redeemable preferred shares of subsidiary company, DIME - Dynamic Integrated Marketing Enterprises Inc.("DIME") amortized using an effective interest rate of 12% per annum. The shares are redeemable by the holders at a rate of 25% of the after tax net profits of DIME. The shares are unsecured.	**$ 141,182**	$ 125,441
Private term loan bearing interest at 8% per annum, repayable in annual principal payments of $8,333 plus interest. The loan matures on November 10, 2012 and is unsecured.	**24,500**	75,000
Related company term loans bearing interest at 12% per annum, repayable in monthly blended payments of $969. The loans mature on August 13, 2013 and are secured by contracts for telephone services.	**21,190**	29,710
	186,872	230,151
Amounts payable within one year	**(17,933)**	(27,270)
	$ 168,939	$ 202,881

Principal repayment terms are approximately:

2011	$ 17,933
2012	51,517
2013	48,239
2014	36,000
2015	33,183
	$ 186,872

12. SHARE CAPITAL

Authorized:
Unlimited Common voting shares without nominal or par value

		2010	2009
Issued:			
23,537,825	Common shares	**$ 908,082**	$ 908,082

(continues)

12. SHARE CAPITAL *(continued)*

	2010			2009		
	Shares		**Amount**	Shares		Amount
Common shares						
Shares outstanding at the beginning of the year	**23,537,825**	**$**	**908,082**	16,943,330	$	745,668
Issued for acquisitions	**-**		**-**	2,000,000		130,000
Issued for cash (net of expenses)	**-**		**-**	4,499,995		23,427
Issued as finder fees	**-**		**-**	39,500		2,765
Issued on exercise of warrants	**-**		**-**	55,000		6,222
Shares outstanding at end of quarter/year	**23,537,825**	**$**	**908,082**	23,537,825	$	908,082

At October 31 2010, 1,000,000 shares (2009 - 2,000,000 shares) were subject to escrow agreements.

13. WARRANTS

The following is a summary of warrant transactions and warrants outstanding:

	2010 Number	**2010** Exercise Price		**2010**	2009 Number		2009 Exercise Price		2009
Proceeds from issues to beginning of year	7,014,495	$.10-.14	**$**	**299,256**	3,850,000	$	0.10	$	34,070
Issued January 26, 2009 - Expiry date of January 26, 2011	-	-		**-**	130,000		0.10		7,163
Issued in February and March, 2009 - Expiry dates in February and March, 2011	-	-		**-**	4,539,495		0.14		258,745
Exercised in May, 2009	-	-		**-**	(55,000)		0.10		(722)
Expired in September, 2009	-	-		**-**	(1,450,000)		0.10		-
Expired in March and April, 2010	(2,345,000)	-		**(33,348)**	-		-		-
Balance, end of year	4,669,495	$.10-.14	**$**	**265,908**	7,014,495		$.10-.14	$	299,256

The grant date fair value of the warrants issued in January, 2009 was $7,163 based on the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.25%; expected life of two years; expected dividend rate at 0%; and expected volatility of 217%.

The grant date fair value of the warrants issued in February and March, 2009 was $258,745 based on the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.25%; expected life of two years; expected dividend rate at 0%; and expected volatility of 212%.

14. CONTRIBUTED SURPLUS AND STOCK BASED COMPENSATION PLAN

The Corporation has adopted a stock option plan for its directors, officers, consultants and key employees. Under this plan, 870,000 common shares were reserved for option with no required vesting period as approved by the Board of Directors. During the fiscal 2008 year, stock options were issued for 869,995 shares at a price of $0.10 per share.

In May, 2009, the Shareholders adopted a new Stock Option Plan which authorized allotment of up to 20% of the issued and outstanding common shares (4,896,965 common shares) for the Plan and in June, 2009, the Board of Directors issued 1,000,000 options to Directors and Officers at a price of $.10 with an expiry date of June, 2014. The fair value of these options at the grant date was $.049 and $49,300 was credited to contributed surplus in respect of stock-based compensation. The fair value of these options at the grant date was determined using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%; risk-free interest rate of .5%; expected life of five years; and expected volatility 230%.

The following is a summary of common share purchase options outstanding and exercisable:

	Stock Options 2010	**Weighted Average Exercise Price 2010**	**Contributed Surplus Balance 2010**	Stock Options 2009	Weighted Average Exercise Price 2009	Contributed Surplus Balance 2009
Beginning of year	**1,869,995**	**$ 0.10**	**$ 69,136**	869,995	$ 0.10	$ 19,836
Granted	**-**	**-**	**-**	1,000,000	0.10	49,300
Expired	**(869,995)**	**-**	**-**	-	-	-
Balance transferred on expiry of warrants	**-**	**-**	**33,348**	-	-	-
Outstanding at end of year	**1,000,000**	**$**	**$ 102,484**	**1,869,995**	$ 0.10	$ 69,136
Exercisable at end of year	**1,000,000**	**$ 0.10**		**1,869,995**	$ 0.10	

15. PER SHARE AMOUNTS

	2010	**2009**
Net Loss and Comprehensive Loss	**$ (749,349)**	$ (613,871)
Weighted average number of common shares outstanding	**23,537,825**	21,830,493
Loss per share (basic and diluted)	**(0.0318)**	(0.0281)

16. INCOME TAXES

Income taxes differ from the amounts computed by applying the combined federal and provincial income tax rate to pre-tax income as a result of the following:

		2010		2009
Reconciliation of income tax expense				
Income tax rate		**31.00 %**		33.00 %
(Loss and comprehensive loss) before income taxes		**(749,349)**	$	(613,871)
Income tax at statutory rates		**(232,298)**		(202,577)
Accretion of debenture		**42,834**		-
Loss carryforward expiry		**338,408**		-
Other		**9,056**		(81,423)
Change in valuation allowance		**(158,000)**		284,000
	$	**-**	$	-

		2010		2009
Future Income Taxes				
The Corporation has not recognized the benefits related to certain loss carry-forwards. Potential future income tax savings from utilizing the losses are as follows:				
Capital loss carry forwards with no expiry date	**$**	**9,822**	$	10,456
Non-capital loss carry forwards (expiring 2011 to 2030)		**640,000**		830,000
Loss carryforwards recognized to the extent of timing differences		**(66,000)**		(101,000)
Other temporary differences		**25,000**		27,000
		608,822		766,456
Valuation allowance		**(608,822)**		(766,456)
	$	**-**	$	-

		2010		2009
Income Tax Loss Carryforwards				
Capital losses which do not expire	**$**	**63,369**	$	63,369
Non-capital loss carry-forwards which expire in:				
2010		**-**		756,394
2014		**79,267**		79,267
2026		**461,424**		461,424
2027		**188,271**		276,365
2028		**473,447**		473,447
2029		**380,102**		627,254
2030		**482,754**		-
Total Non-capital Loss Carryforwards	**$**	**2,065,265**	$	2,674,151

17. RELATED PARTY TRANSACTIONS

	2010	2010
Interest long term debt to shareholders and and interest bearing shareholder and related party loans - rates from 9%-12%	**$ 4,465**	$ 3,747
Interest on convertible debentures paid to shareholders, officers and directors and companies controlled by them	**39,390**	-
Interest accrued on preferred shares included in long term debt to shareholders	**15,741**	18,559
Consulting fees paid to companies controlled by two shareholders and officers	**162,718**	100,000
Professional fees paid or accrued to companies controlled by shareholders and officers - expensed	**2,715**	61,399
Professional fees paid or accrued to companies controlled by shareholders and officers - allocated to purchase of subsidiary	**-**	41,822
Professional fees paid or accrued to companies controlled by shareholders and officers - allocated to costs of issuing common shares	**-**	30,063
Transactions with INR Capital Incorporated ("INRC"), a company in which the Corporation's subsidiary company has a 20% common shareholding:		
Sales of digital signage systems which are being leased by INRC to a major customer	**251,029**	-

Related party transactions are incurred in the normal course of operations and recorded at the exchange amount, which is the consideration established and agreed to by the parties.

18. SEGMENT DISCLOSURES

The corporation currently operates in one industry segment, property management and related services, and one geographic segment, Atlantic Canada.

19. CAPITAL DISCLOSURES

The Corporation's capital consists of accounts payable, convertible debentures, payables to shareholders and related parties, no return redeemable preferred shares, term loans, warrants and common shares. The Corporation's objectives when managing capital are:

- to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide the Corporation with the ability to make future investments.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Corporation is currently pursuing a strategy of financing operations and acquisitions with convertible debt and equity capital. The Corporation financed its prior year working capital deficiency through the issue of convertible debt. The majority of the Corporation's debt has been settled subsequent to year end (see note 23) and the Corporation anticipates related party loans and issue of new common shares will finance repayment of the balance of its liabilities.

The Corporation does not have any externally imposed capital requirements.

The debt-to-adjusted capital ratios are as follows:

	2010	2009
Total liabilities	**$ 1,274,871**	$ 788,303
Total equity (deficiency)	**(994,265)**	(368,420)
Debt to adjusted capital ratio	**(1.28)**	**(2.14)**

20. INDEMNITY

The Corporation has agreed to indemnify its directors and officers in accordance with the Corporation's policies. The Corporation maintains insurance policies that may provide coverage against certain claims.

21. CONTINGENT LIABILITY

A subsidiary company of the company's has guaranteed bank indebtedness of INR Capital Incorporated ("INRC"), a company in which the subsidiary company has a 20% common shareholding to a maximum of $250,000. INRC has an authorized credit facility of $525,000 of which $121,000 was outstanding at year end. Other shareholders of INRC have also provided guarantees totaling the full amount of the authorized facility.

22. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

23. SUBSEQUENT EVENTS

In February, 2011, the Corporation reached agreements with all convertible debenture holders to transfer all shares of its subsidiaries to the debenture holders in satisfaction of the liability and accrued interest due to the debenture holders in accordance with the terms of the original debenture agreements.

The Corporation will record a gain on disposition of approximately $1,112,000 before making a provision of $377,000 for a non-collectible intercompany debt for a net gain of $735,000 as a result of the transaction.

A Proforma Balance Sheet for the Corporation showing the impact of this transaction on the accounts at October 31, 2010 is as follows:

		2010
ASSETS		
Prepaid expenses	$	10,332
LIABILITIES		
Bank indebtedness	$	895
Accounts payable and accrued liabilities		59,818
Current portion of long term debt		9,601
Due to shareholders and related parties		186,186
Total Current Liabilities		256,500
Long term debt		11,588
Shareholders' Deficiency		(257,756)
Total Liabilities and Shareholders' Deficiency	$	10,332