



consecutive quarters
of double-digit
year-over-year
growth in
FFO & NOI



MAINSTREET EQUITY CORP. is a Canadian real estate company focused on acquiring and managing mid-market rental apartment buildings in major markets across Canada. Founded in 1997, Mainstreet creates value by purchasing under-performing properties, renovating them to a branded standard, improving operating efficiencies and repositioning them in the market for greater returns.

For additional information about Mainstreet Equity Corp., see the Corporation's profile at SEDAR (www.sedar.com).

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Forward-Looking Information

Certain statements contained herein constitute "forward-looking statements" as such term is used in applicable Canadian securities laws. These statements relate to analysis and other information based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, statements concerning estimates related to future acquisitions, dispositions and capital expenditures, reduction of vacancy rates, increase of rental rates and rental revenue, future income and profitability, timing of refinancing of debt and completion, timing and cost of renovations, increased cash flow, the Corporation's liquidity and financial capacity, the Corporation's anticipated funding sources to meet various operating and capital obligations, expansion into the United States, and other factors and events described in this document should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions of future events or performance (often, but not always, using such words or phrases as "expects" or "does not expect," "is expected," "anticipates" or "does not anticipate," "plans," "estimates" or "intends," or stating that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, costs and timing of the development of existing properties, availability of capital to fund stabilization programs, other issues associated with the real estate industry including, but without limitation, fluctuations in vacancy rates, unoccupied units during renovations, fluctuations in utility and energy costs, credit risks of tenants, fluctuations in interest rates and availability of capital, availability of labour and costs of renovation and other such business risks as discussed herein. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, other factors may cause actions, events or results to be different than anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained herein.

Forward-looking statements are based on management's beliefs, estimates and opinions on the date the statements are made, and the Corporation undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions should change except as required by applicable securities laws.

Management closely monitors factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and will update those forward-looking statements where appropriate in its quarterly financial reports.

5 YEAR TRENDS

(\$ millions except number of units, percentages and shares)

	% change 2012 vs. 2013	2013	2012	2011	2010	2009
Total number of units (8,507 YTD)	4%	8,478	8,180	7,362	6,419	5,939
Market value of the portfolio	9%	\$ 1,149	\$ 1,051	\$ 908	\$ 752	\$ 679
Rental revenue	17%	\$ 78.2	\$ 66.8	\$ 56.9	\$ 53.1	\$ 50.8
Same assets rental revenue	9%	\$ 67.8	\$ 62.4	\$ 52.7	\$ 47.9	\$ 50.2
Net operating income						
– from continuing operations	16%	\$ 52.05	\$ 44.9	\$ 37.3	\$ 33.2	\$ 31.3
Same assets net operating income	8%	\$ 45.5	\$ 42.1	\$ 34.7	\$ 29.6	\$ 30.3
Funds from continuing operations	28%	\$ 19.1	\$ 14.9	\$ 11.2	\$ 7.7	\$ 11.4
(Before stock option cash settlement expense and loss on disposition from investment property)						
Operating margins	–	67%	67%	66%	63%	62%
Share price (at Dec. 9, 2013 – \$34.45)		\$ 30.19	\$ 31.46	\$ 17.15	\$ 11.40	\$ 7.90

MESSAGE FROM THE PRESIDENT & CEO

For the years ended September 30, 2013 and 2012

2013: A Year of Goals Met

At the outset of fiscal year 2013, we set out five key strategic goals: growth in same asset net operating income (“NOI”) and funds from operations (“FFO”); acquisition growth; debt consolidation; a rise in capital spending to more rapidly stabilize assets; and the disposition of Ontario properties to enable better allocation of capital to stronger markets. With the Corporation’s success in each of these areas this year, we believe that the Corporation has further strengthened its operations and positioned itself for future growth.

The end of fiscal 2013 marks Mainstreet’s third consecutive full year and the 12th consecutive quarter of quarter-by-quarter, double-digit year-over-year increases in NOI and FFO.

In fiscal year 2013, Mainstreet’s rental revenue from continuing operations rose 17% to \$77 million, up from \$65.9 million in fiscal year 2012. Same asset rental revenues climbed 9% to \$67.8 million, from \$62.4 million in fiscal year 2012. NOI from continuing operations increased 16% to \$52 million, while growing 8% to \$45.5 million at same asset properties. **Funds from continuing operations, before stock option cash settlement expense and loss on disposition for investment property, were up 28% to \$19.1 million, an increase over \$14.9 million in the previous fiscal year.** The same asset vacancy rate fell to 7.3% from 8.1% in fiscal year 2012. Excluding 205 units under complete re-construction, Mainstreet’s vacancy rate as of December 1, 2013 stood at 5.5%. The Corporation’s stable of stabilized units has grown to 143 properties, with 6,431

units, out of a total of 193 properties or 8,218 units. The market value of our portfolio reached \$1.15 billion.

Mainstreet’s consistent solid performance further re-affirms our “add-value” business model, which we believe has positioned Mainstreet for dual track NOI gains: both organically, through its existing portfolio, and through its ability to acquire new properties in strong Western Canadian growth markets. In fiscal year 2013, the dedication to Mainstreet’s business model enabled it to achieve the following results:

- Acquisition – We acquired 702 residential apartment units for approximately \$70 million, representing a 9% portfolio growth, excluding assets held for sale.
- Capital improvement – We spent approximately \$11 million on capital improvement to renovate and upgrade properties to the Corporation’s specification, both as part of its repositioning and stabilization process and in a further effort to reduce operating costs and increase the NOI.

Capital expenditures – fiscal year (\$000s)	2013	2012
In Suite (& hallway) renovations	\$ 6,049	\$ 8,682
Roof	\$ 2,137	\$ 844
Balcony and external siding and painting	\$ 1,840	\$ 409
Boilers and heating system	\$ 653	\$ 489
Appliances and equipment	\$ 313	\$ 764
Windows	\$ 247	\$ 197
Electrical and fire upgrade	\$ 67	\$ 105
	\$ 11,306	\$ 11,490

- **Operational efficiencies** – In addition to investing resources on efficient technology and energy-saving equipment, we achieved lower operating costs and improved operational efficiencies by purchasing materials direct from China and developing our website and operational software in India. The employment of foreign workers in Canada has brought better labour stability.
- **Value enhancement** – Increases in post-renovation rent, alongside reductions in operating costs, resulted in increased NOI and FFO. The value of Mainstreet's properties has substantially increased as a result of improved NOI.
- **Financing** – In fiscal 2013, we financed five clear title properties after stabilization in British Columbia for \$23.7 million, and refinanced \$67.5 million in matured mortgages into 10 year long-term CMHC insured mortgage loans for \$80.7 million. At an average interest rate of 3.4%, the new loans resulted in an annualized savings in interest expenses of approximately \$390,000, while at the same time raising an additional \$36.9 million for future growth. Applying to CMHC for long term, low interest insured mortgages allows Mainstreet to unlock value created in stabilized properties, while funding future growth without shareholder dilution.
We have also obtained CMHC approval to refinance approximately \$15 million (16%) of mortgages maturing in 2014, and for \$7.6 million in new mortgages on five existing clear title properties following stabilization in Saskatoon. An additional \$11 million is expected to be raised. At an estimated interest rate of 3.8%, We expect an annualized interest expense savings of approximately \$85,000 from the refinancing.
- **Divestitures** – We took advantage of strong real estate market conditions to dispose of its Ontario properties in 2013. The final transaction is expected to close at the end of January 2014. Together, these sales generated net cash flow of approximately \$25 million. Re-deploying this capital in Western Canada is anticipated to allow for investment in a region Management believes holds much higher potential for Mainstreet's add-value model.

Challenges

We have witnessed a 100-basis point interest rate increase over the past six months. Such change impacts the savings the Corporation can achieve by refinancing mortgage rates, as well as its ability to liberate additional capital through

this process. Relative to norms in recent decades, however, mortgage rates remain at advantageous levels, and the CMHC expects them to "remain historically low."

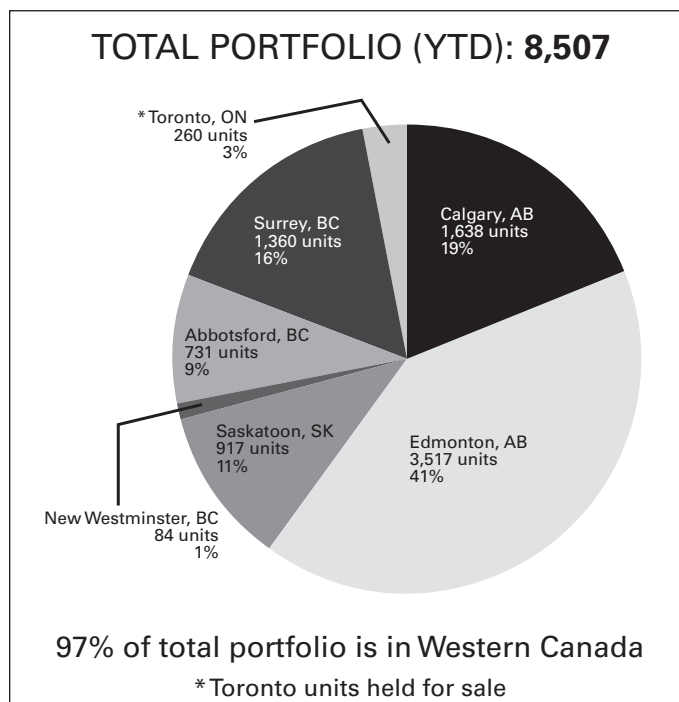
Our add-value business model carries other inherent hurdles. The process of renovating and repositioning properties leads to higher overall vacancy rates and constitutes a drag on stabilized NOI. This is intensified in areas of highest growth, like in Edmonton, 35% of our portfolio is unstabilized, even if those conversely provide the greatest opportunity for Mainstreet.

At the same time, the process of rebuilding from floods in southern Alberta stands to add to demand for skilled labour that is already under significant pressure in Western Canada. Saskatchewan and Alberta boast Canada's lowest unemployment rates, even as their need for workers grows by tens of thousands every year. The Alberta government expects a 1.7% average annual growth in occupational demand between 2013 and 2017, with demand for workers in construction-related trades growing above this average.

Outlook: Four Potent Engines for Growth

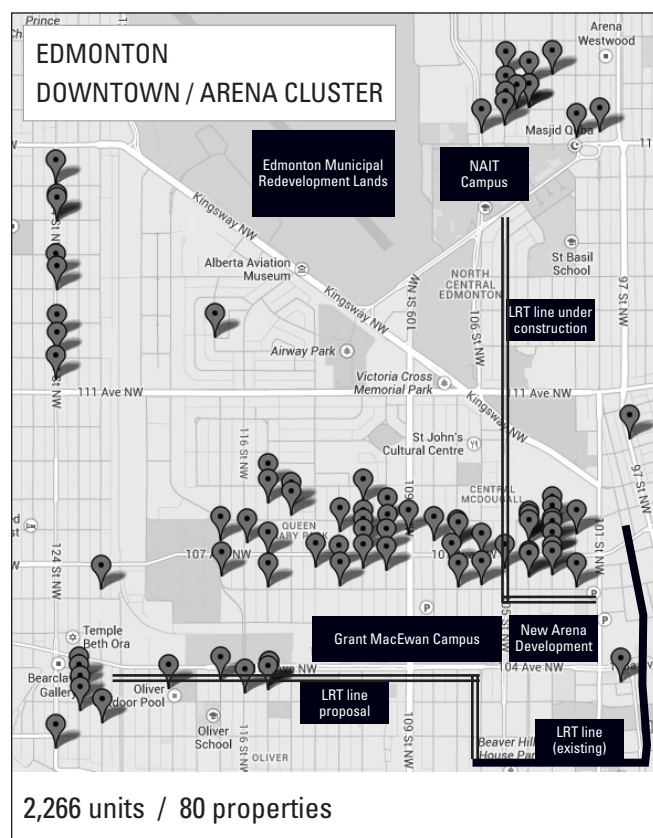
Market Forces

We believe there are few better places in Canada to own residential rental property than British Columbia, Alberta and Saskatchewan, the places we call home. In 2013, Alberta experienced record in-migration, with its population growing at a faster rate even than Ontario, a much larger province.



This is historically significant. In 2013, Alberta is expected to add 95,600 people, with another nearly 68,100 arriving in 2014, according to the CMHC. At the same time, numbers of temporary foreign workers are soaring, rising above 15,000 in the second quarter of 2013, roughly double the number a year earlier. We believe that the influx of new arrivals will continue to apply positive demand for the rental housing stock, particularly since construction of new multi-family residences remains well off its 2007 peak in the province. Based on CMHC marketing reports, Alberta GDP growth of 2.7% in 2012 is expected to be followed by a 2.8% economic expansion in 2013 and a further 2.3% in 2014.

Combined, these factors underscore the value of Mainstreet's position in the western provinces, where growth in people and the economy is expected to push increases in rent, revenue and NOI. To say the least, we firmly believe that Mainstreet is in the right market. Geography is the first growth engine.



Organic Growth

Organic NOI growth is the second. At fiscal year-end, only approximately 78% of Mainstreet's existing portfolio had been stabilized. The difference between the financial performance of stabilized and unstabilized properties is

significant. At an unstabilized property, high vacancy rates coupled with high bad debt and low rental rates diminish NOI. That NOI rises substantially once the property is stabilized. In this fixed cost business, every incremental boost to rental revenue directly increases Mainstreet's bottom line. This is the major factor underlying Mainstreet's strong potential for organic growth in NOI and FFO, which we expect to ultimately result in increased value for our existing portfolio.

Reduction in interest rate

Our continued ability to leverage favourable financing is a third source of growth. Interest rates remain at near historic low levels, despite an upward movement of approximately 100 basis points in the past six months. We have approximately \$178 million in debt maturing in 2014 and 2015, with an average current interest rate of 4.35%. Relative to the current CMHC 10-year mortgage rate of approximately 3.8%, we expect to achieve a substantial savings in interest expenses through refinancing. We also believe this will serve to increase Mainstreet's FFO.

Resources available for further growth

Acquisitions fuel the Corporation's fourth and most powerful NOI growth engine. With decades of experience in Western Canada, we believe we have an intimate knowledge of the market few can match. This allows us to pursue properties in the mid market with add value potential. We believe Mainstreet's substantial liquidity also positions it for further portfolio growth in these healthy geographic markets. As of year-end, we owned 30 clear title properties with a combined market value of approximately \$95 million, a source for substantial funds that can be raised through financing. Following our expected refinancing of \$178 million in debt maturing in 2014 and 2015, we expect substantial additional funds can be raised. We believe that Mainstreet's strong liquidity position will once again allow it to continue to expand without diluting shareholder equity.

(SIGNED)

"Bob Dhillon"

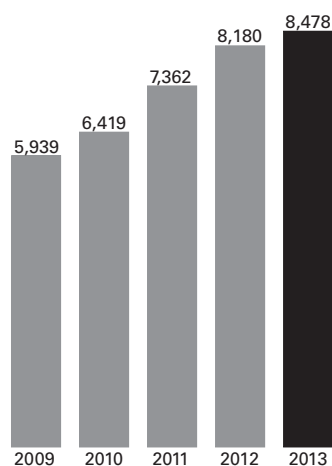
President & CEO

Calgary, Alberta

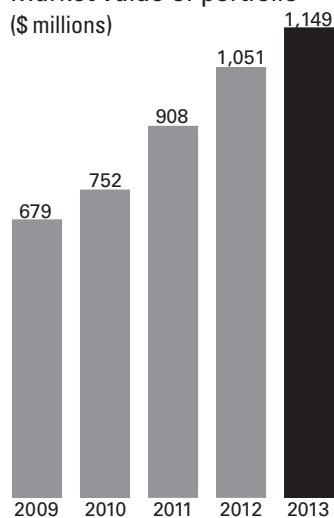
December 11, 2013

KEY PERFORMANCE INDICATORS

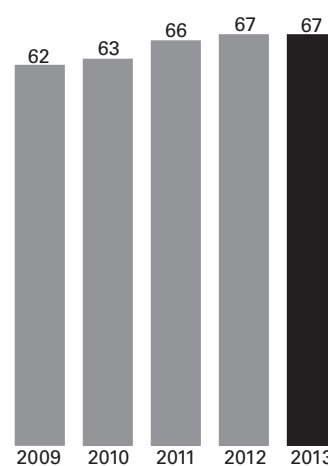
Total number of units



Market value of portfolio
(\$ millions)



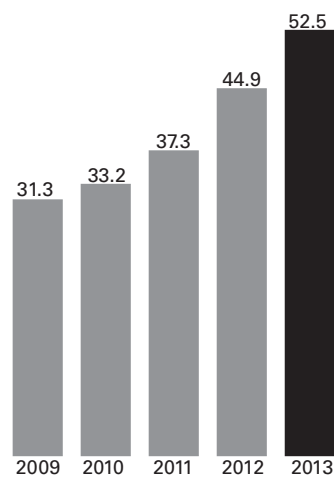
Operating Margins
(%)



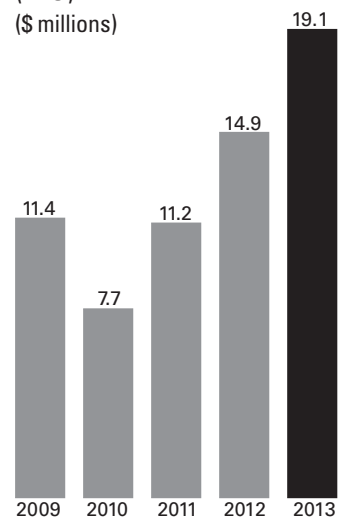
Net Operating Income (NOI)
- Same Assets
(\$ millions)



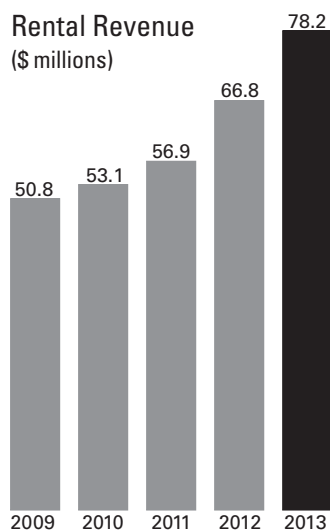
Net Operating Income (NOI)
(\$ millions)



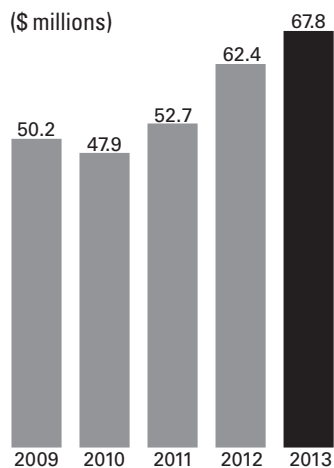
Funds from Operations
(FFO)
(\$ millions)



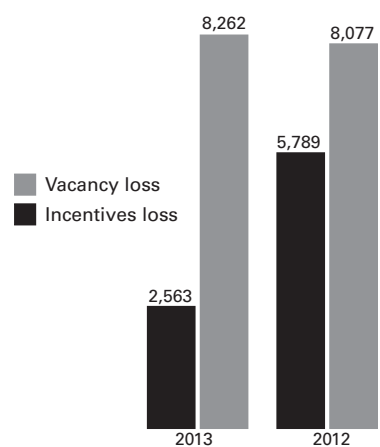
Rental Revenue
(\$ millions)



Rental Revenue -
Same Assets
(\$ millions)



Incentives & Vacancy Loss
(\$ 000s)



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") provides an explanation of the financial position, operating results, performance and outlook of Mainstreet Equity Corp. ("Mainstreet" or the "Corporation") as at and for the years ended September 30, 2013 and 2012. The results from the fiscal year 2013 are directly comparable with those from the fiscal year 2012. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic and political conditions. Additionally, other events may occur that could affect the Corporation in the future. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements for the years ended September 30, 2013 and 2012. This MD&A has been reviewed and approved by the Audit Committee and Board of Directors of the Corporation and is effective as of December 5, 2013. All amounts are expressed in Canadian dollars. Additional information regarding the Corporation including the Corporation's annual information form is available under the Corporation's profile at SEDAR (www.sedar.com).

Unless indicate otherwise, reference herein to 2013 and 2012 refers to the fiscal years ended September 30, 2013 and 2012, respectively.

BUSINESS OVERVIEW

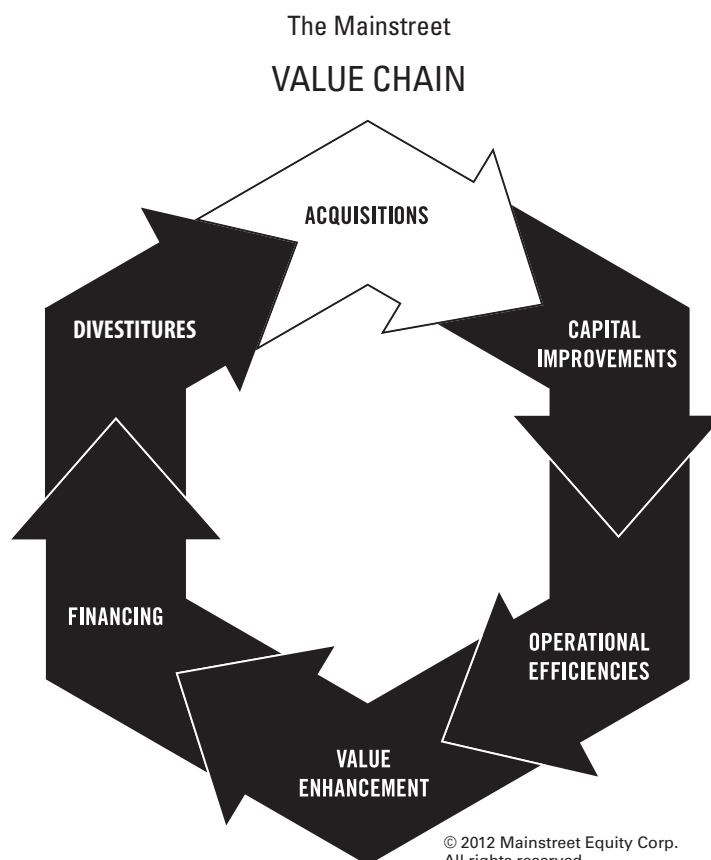
Based in Calgary, Alberta, Mainstreet is a Canadian real estate corporation focused on the acquisition, redevelopment, repositioning and management of mid-market rental apartment buildings in four major Canadian markets: Vancouver/Lower Mainland, Calgary, Edmonton and Saskatoon.

Mainstreet is listed on the Toronto Stock Exchange ("TSX") and traded under the symbol "MEQ".

BUSINESS STRATEGY

Mainstreet's goal is to become Canada's leading provider of affordable mid-sized, mid-market rental accommodations – typically properties with fewer than 100 units. In pursuit of this goal, the Corporation adheres to its six-step "Value Chain" business model:

- **Acquisitions:** Identify and purchase underperforming rental units at prices well below replacement costs.
- **Capital improvements:** Increase the asset value of Mainstreet's portfolio by renovating acquired properties.
- **Operational efficiencies:** Minimize operating costs through professional management, efficient technology and energy-saving equipment.
- **Value enhancement:** Reposition renovated properties in the market as Mainstreet branded products for higher rents, and build and sustain customer loyalty through high levels of service.
- **Financing:** Maintain a sound capital structure with access to low-cost, long-term Canada Mortgage and Housing Corporation ("CMHC") insured mortgage loans.
- **Divestitures:** Occasionally sell mature real estate properties to redirect capital into newer, higher potential properties.



INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements of the Corporation prepared in conjunction with this MD&A have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Investment properties

Investment properties are properties held to earn rental income and are initially measured at costs. Costs include price and any direct attributable expenditure related to the acquisition and improvement of the properties. All costs associated with upgrading the quality and extending the economic life of the investment properties are capitalized as an additional cost of investment properties.

After initial recognition, the Corporation adopts the fair value model to account for the carrying value of investment properties in accordance with International Accounting Standards ("IAS") 40.

Method used in determining the Fair Value of investment properties

The fair value of investment properties held by the Corporation as of September 30, 2013, was determined by independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in relevant locations. The direct capitalization method was used to convert an estimate of a single year's income (net operating income) expectancy into an indication of value in one direct step by dividing the income (net operating income) estimated by an appropriate capitalization rate. The appraisers also assessed the market conditions of the underlying assumptions used for the fair value assessments and estimated the fair value of the investment properties as at September 30, 2013.

The fair values of the property included in non-current assets classified as held for sale was determined by the selling price offered by the potential buyer.

The fair values are most sensitive in net operating income and capitalization rates. The average capitalization rates used in determining the fair value of investment properties are set out below:

September 30	2013	2012
Surrey, BC	5.46%	5.65%
Abbotsford, BC	5.29%	5.64%
Calgary, AB	4.88%	5.06%
Edmonton, AB	5.79%	5.92%
Saskatoon, SK	6.90%	7.50%
Investment properties	5.53%	5.72%
Asset classified as held for sale – Greater Toronto Area, Ontario	6.18%	5.48%

Mainstreet's total portfolio is valued at \$1,149 million. The following is the breakdown of market value by regions:

	Number of units	Market value (\$ million)	Average value per unit (\$000s)
Vancouver / Lower Mainland (Abbotsford & Surrey), BC	2,175	\$ 258,975	\$ 119,069
Calgary, AB	1,609	\$ 332,625	\$ 206,728
Edmonton, AB	3,517	\$ 435,920	\$ 123,947
Saskatoon, SK	917	\$ 100,175	\$ 109,242
Investment properties	8,218	\$ 1,127,695	\$ 137,223
Asset classified as held for sale – Greater Toronto Area, ON	260	\$ 21,850	\$ 84,038
Total	8,478	\$ 1,149,545	\$ 135,592

ACQUISITIONS & GROWTH

(000s of dollars)

September 30	2013	2012
	Edmonton & Saskatoon	Calgary, Edmonton & Saskatoon
Number of rental units	702	833
Total costs	\$ 70,324	\$ 79,818
Average price per unit	\$ 100	\$ 96

Employing a strict set of criteria, Mainstreet identifies and acquires underperforming rental properties in western Canada that offer the potential to enhance the Corporation's asset value and its long-term revenues. In 2013, Mainstreet purchased 702 apartment units in Edmonton and Saskatoon for \$70.3 million – an average purchase price of \$100,000 per unit. Since Mainstreet's previous financial year-end (September 30, 2012), the Corporation has grown its portfolio by 9%, excluding asset held for sale. Mainstreet's portfolio now includes 8,478 residential units (including 260 units of properties classified as held for sale with fair value of \$21.9 million), which include townhouses, garden-style apartments and concrete mid-rise and high-rise apartments.

In 2013, Mainstreet disposed of 404 out of 664 residential apartments in its Ontario portfolio and generated approximate net cash flow of \$20 million. Since then, Mainstreet has successfully redeployed its capital by acquiring 492 apartment units with higher added-value potential in Edmonton, Alberta and Saskatoon, Saskatchewan.

It is anticipated that the remaining apartment units in Ontario will be disposed of by the end of January 2013 for consideration of approximately \$22 million.

As of September 30, 2013, 91% of these residential units were rented, while 6% were being renovated and the remainder left vacant because of current market conditions.

Since 1997, the Corporation's portfolio has increased from 10 to 195 buildings (including one office building and asset held for sale), while the fair value of the properties within this portfolio has grown from approximately \$17 million to \$1,149 million as of September 30, 2013.

The following table sets forth the growth of the Corporation by region since the end of the previous financial year ended September 30, 2012.

	Number of units as of Oct. 1, 2012	Acquisitions during the 12 months period ended Sep. 30, 2013	Number of units as of Sep. 30, 2013	% Growth
Surrey, BC	1,444	–	1,444	–
Abbotsford, C	731	–	731	–
Calgary, AB	1,609	–	1,609	–
Edmonton, AB	2,865	652	3,517	23%
Saskatoon, SK	867	50	917	6%
Subtotal	7,516	702	8,218	9%
Properties classified as held for sale				
Mississauga and Toronto, ON	664	(404)	260	–
Total units	8,180	298	8,478	4%

As of September 30, 2013, Mainstreet owned and managed a total of 8,478 residential units. Details of Mainstreet's properties are set forth in the tables below.

Surrey, BC		Address	# of Units	Apartment Type
1	Pacific Park Apartments	9450 – 128 Street	288	Garden style apartment
2	Cedartree Village	7155/7185 Hall Road & 13485 –71 Ave.	228	Garden style apartment
3	Imperial Park Apartment	9555 – 126 Street	204	Garden style apartment
4	Greenwood Apartments	14831/14881– 104 Ave &14840 –105 Ave.	183	Garden style apartment
5	Ashley Court	14921 – 104 Street	150	Garden style apartment
6	Gateway Apartments	11022 – 136 Street	133	Garden style apartment
7	Regent Place Apartments	14918 – 108 Street	102	Garden style apartment
8	Cameron	1210/1211 Cameron Street	84	Garden style apartment
9	Hillside Apartments	10320/66 – 127A Street	72	Garden style apartment
Surrey, BC –Total			1,444	

Abbotsford, BC		Address	# of Units	Apartment Type
10	Chelsea	33710 Marshall Road	114	Garden style apartment
11	Hill-Tout	2485 Hill-Tout Street	92	Garden style apartment
12	Pinetree	2525/2585 Hill-Tout Street	89	Condo complex
13	Mount View	33136 George Ferguson Way	84	Garden style apartment
14	Sunshine	33184 George Ferguson	69	Condo complex
15	Dahlstrom	32030 George Ferguson	60	Garden style apartment
16	Bridgeport	33405 Bourquin Place	60	Garden style apartment
17	Villa Vista	33292 Robertson Ave.	48	Garden style apartment
18	Villa Monaco	33263 Bourquin Crescent East	44	Garden style apartment
19	Hillside	2814 Pratt Crescent	37	Garden style apartment
20	Royal	33298 Robertson Road	34	Garden style apartment
Abbotsford, AB –Total			731	

Calgary, AB		Address	# of Units	Apartment Type
21	Trevella Park	1300 – 42 Street SE	218	Townhouse complex
22	Bonaventure	205 Heritage Dr. SE	195	Concrete mid-rise
23	Falconcrest Village	360 Falshire Dr. NE	176	Garden style apartment
24	Doverglenn Estates	216 Doverglenn Cres. SE	98	Garden style apartment
25	Avenue Towers	333 – 17 Avenue SW	89	Concrete hi-rise apartment
26	Windsor Green Apartments	4610 Hubalta Rd. SE	88	Garden style apartment
27	Haddon	50 Haddon Road SW	69	Concrete mid-rise
28	Huntsville	412 Huntsville NW	52	Garden style apartment
29	Glenbow Manor	4646 – 73 Street NW	50	Garden style apartment
30	Mainstreet Place	1122 – 8 Avenue SW	50	Concrete hi-rise apartment
31	Delburn House	1419 – 17 Avenue NW	47	Garden style apartment
32	Cochrane House	205 Ross Avenue, Cochrane	42	Garden style apartment
33	White Plains	2620 – 16 Street SW	34	Concrete mid-rise
34	Vintage	528 & 530 – 15th Ave SW, Calgary	32	Concrete mid-rise
35	The Westwinds	211 – 14 Avenue SW	31	Concrete mid-rise
36	Anna Court	4508 – 8 Avenue SE	30	Garden style apartment
37	The Wilmax	1212 – 13 Avenue SW	30	Concrete hi-rise apartment
38	Maggie Manor	1439 – 37 Street SW	27	Garden style apartment

Calgary, AB (con't)	Address	# of Units	Apartment Type
39 1612	1612 – 24 Avenue SW	24	Concrete hi-rise apartment
40 Bankview Place	1715 – 24 Avenue SW	24	Garden style apartment
41 Chinook Winds Apartments	707 – 57 Avenue SW	24	Garden style apartment
42 Westview Terrace	1611 – 23 Avenue SW	24	Concrete hi-rise apartment
43 Lincoln	2107/2111 – 54 Avenue SW	23	Garden style apartment
44 North Hill Manor	305 – 13 Avenue NE	23	Concrete mid-rise
45 Floyd	1607 – 4 Street NW	22	Garden style apartment
46 Spring Garden Terrace	1723 – 26 Avenue SW	21	Garden style apartment
47 Astoria	1735 – 26 Avenue SW	20	Concrete mid-rise
48 Grace Apartments	1639 – 26 Avenue SW	18	Garden style apartment
49 Westbrook Manor	937 – 37 Street SW	18	Concrete mid-rise
50 2501	2501 – 15 Street SW	10	Garden style apartment
Calgary, AB – Total		1,609	

Edmonton, AB	Address	# of Units	Apartment Type
51 Mainstreet Tower	10020 – 103 Ave	359	Concrete high-rise
52 Hampton Court	16404/16424 – 105 St NW	150	Garden style apartment
53 Wedgewood Homes	12269 – 131 Street	132	Townhouse complex
54 Etain	3147 – 151 Avenue	99	Garden style apartment
55 Clareview Court	3830 – 134 Avenue	86	Townhouse complex
56 Oakmount	10710/10720/10730 – 110 Street NW	72	Garden style apartment
57 Hartford	11819 – 106 Street	71	Garden style apartment
58 Riverside Estates	9209/9315 Jasper Avenue	66	Garden style apartment
59 McCam 2	10325 – 123 Street	66	Garden style apartment
60 Bannerman	2604 to 2608 139 Avenue	64	Townhouse complex
61 Trinity A & B	10720/30 – 104 Street	62	Garden style loft
62 Cornerstone	10040 – 152 Street	48	Concrete mid-rise
63 Ross	103220 – 113 A Street	48	Garden style apartment
64 Argyll	7108/7109 – 79 Street	48	Garden style apartment
65 Granville	10605 – 112 Street	43	Garden style apartment
66 Lauderdale Manor	10504 Lauder Avenue	39	Townhouse complex
67 Second Street Manor	10620 – 102 Street	38	Garden style apartment
68 Seventh Street Manor	10716 – 107 Street	38	Garden style apartment
69 Whitehouse	10136 – 153 Street	36	Garden style apartment
70 Gifford	10638 – 106 Street	35	Garden style apartment
71 Majestic	11416 – 124 Street	33	Garden style apartment
72 Wellington	10730 – 111 Street	33	Garden style apartment
73 McCam 1	10330 – 123 Street	33	Garden style apartment
74 McCam 4	10235 – 123 Street	33	Garden style apartment
75 Hilton Manor	10633 – 111 Street NW	33	Garden style apartment
76 Hudson	10625 – 117 Street	33	Garden style apartment
77 Waselenak	10720 – 108 Street	33	Garden style apartment
78 King's Court	11065 – 149 Street	33	Garden style apartment
79 Nova Manor	15628 – 100 Ave	32	Garden style loft
80 Marc	8215 – 144 Avenue	31	Garden style apartment

Edmonton, AB (con't)		Address	# of Units	Apartment Type
81	Oliver 3	10330 –115 St NW	31	Garden style apartment
82	Eileen	10735 – 104 Street	30	Garden style apartment
83	Virginian	10615 – 107 Street	29	Garden style apartment
84	Deluca	10128 – 161 Street	27	Garden style apartment
85	McQueen Place	14224 McQueen Road	27	Garden style apartment
86	Redwood	11848 – 87 Street	27	Garden style apartment
87	Queen Mary	10835 – 115 Street	26	Garden style apartment
88	Elizabeth Manor	11334 – 124 Street	25	Concrete mid-rise
89	Twilight	10723 – 102 Street	24	Garden style apartment
90	Tiffany	10721 – 117 Street	24	Garden style apartment
91	Priya	10711 – 103 Street,	24	Garden style apartment
92	Leamington	10125 – 114 Street	24	Garden style apartment
93	Washington	10715 – 104 Street	24	Garden style apartment
94	Oasis	10155 – 153 Street	24	Garden style apartment
95	Malibu	10717 – 107 Street	24	Garden style apartment
96	Mateo	10624/10632 – 103 Street NW	24	Garden style apartment
97	Hardeep	11233 – 124 Street	24	Garden style apartment
98	Vista Green	10610 – 115 Street	23	Garden style apartment
99	Karen Hall	9451 – 94 Avenue, Ft. Sask	23	Garden style apartment
100	Oliver 1	10320 – 115 St NW	23	Garden style apartment
101	Oliver 4	10315 – 116 St NW	23	Garden style apartment
102	Byron	10650 – 103 Street	23	Garden style apartment
103	Rosa	10630 – 105 Street	23	Garden style apartment
104	Julliard N	10735 – 103 Street	23	Garden style apartment
105	Julliard S	10727 — 103 Street	23	Garden style apartment
106	Cypress	10745 – 110 Street	22	Garden style apartment
107	Lorraine	10727 – 110 Street	22	Garden style apartment
108	Villa	11217 – 124 Street	22	Garden style apartment
109	Amera Manor	11615 – 124 Street	22	Garden style apartment
110	Somerset	10710 – 111 Street	22	Garden style apartment
111	McLaren	10720 – 111 Street	22	Garden style apartment
112	Dickens	10325 – 117 Street	22	Garden style apartment
113	Kane	10316 – 119 Street	22	Garden style apartment
114	Carina Court	10610 – 106 Street	22	Garden style apartment
115	McCam 3	10320 – 123 Street	22	Garden style apartment
116	Oliver 2	10325 – 115 St NW	22	Garden style apartment
117	Norland	10630 – 115 Street	22	Garden style apartment
118	Hansen	10630 – 112 Street	22	Garden style apartment
119	Cedargrove	10633 – 110 Street	22	Garden style apartment
120	Murray	11906 – 104 Street	21	Garden style apartment
121	Taurus	11937 – 105 Street	21	Garden style apartment
122	Grand	11919 – 105 Street	21	Garden style apartment
123	King Edward	7108 – 79 Ave	21	Garden style apartment
124	Prairie	11820 – 101 Street	21	Garden style apartment
125	Palmont	10823 – 115 Street	21	Garden style apartment

Edmonton, AB (con't)	Address	# of Units	Apartment Type
126 Mark	10630 – 107 Street	21	Garden style apartment
127 Chelsey	10730 – 109 Street	20	Garden style apartment
128 Dorset	11708 – 124 Street	20	Garden style apartment
129 Ingle	11545 – 124 Street	20	Garden style apartment
130 Sunshine Mills	11118/11124 – 124 Street	20	Garden style apartment
131 Rockhill	11930 – 104 Street	18	Garden style apartment
132 Alexandra	12220 – 82 Street	18	Garden style apartment
133 Pine	10741 – 112 Street	18	Garden style apartment
134 Confederation	15216 – 100 Avenue	18	Garden style apartment
135 Rockcliffe	10715 – 116 Street	18	Garden style apartment
136 Erin Place	11828 – 105 Street	17	Garden style apartment
137 Ariel	10729 – 104 Street	17	Garden style apartment
138 Grace Manor	10634 – 113 Street	17	Garden style apartment
139 Pride	13608 – 109A Avenue	17	Garden style apartment
140 Plaza	11841 – 105 Street	17	Garden style apartment
141 Shardan	10224 – 122 Street	17	Garden style apartment
142 Aspen	12207 – 82 Street	15	Garden style apartment
143 Westmore	10820 – 114 Street	15	Garden style apartment
144 Serenity	10416 – 119 Street	15	Garden style apartment
145 Windfall	10356 – 92 Street	15	Garden style apartment
146 Berkley Manor	10810 – 114 Street	15	Garden style apartment
147 Willow	10303 – 120 Avenue	15	Garden style apartment
148 Capital	10125 – 152 Street	15	Garden style apartment
149 Salem	10819 – 115 Street	15	Garden style apartment
150 Cedarwood Arms	10614 – 122 Street	14	Garden style apartment
151 Madison	11807 – 102 Street	14	Garden style apartment
152 Eastwood	11920 – 82nd Street	13	Garden style apartment
153 Aurora	10041 – 152 Street	12	Garden style apartment
154 Prince	11225 – 117 Street	12	Garden style apartment
155 Beauview	10443 – 156 Street	12	Garden style apartment
156 Jasmine Court	10016 – 152 Street	12	Garden style apartment
157 College	10619 – 104 Street	12	Garden style apartment
158 Rosedale	10955 – 97 Street	11	Garden style apartment
159 Charles Rutherford	9804 – 102 Street Ft. Sask	9	Garden style apartment
Edmonton, AB – Total		3,517	

Saskatoon, SK	Address	# of Units	Apartment Type
160 Fairhaven	365 Pandygrasse Road	165	Garden style apartment
161 Meadow Green	517/521 Avenue X	72	Garden style apartment
162 Lancelot	1702/1710 – 22 Street W	38	Garden style apartment
163 Coronation	444 – 5 Avenue North	35	Garden style apartment
164 Kewanee	502 – 5 Avenue N	35	Garden style apartment
165 Belmae	445 – 3 Avenue N	33	Garden style apartment
166 Park Manor	102 Avenue O. S.	31	Garden style apartment
167 Camino	115 Avenue O. S.	31	Garden style apartment

Saskatoon, SK (con't)		Address	# of Units	Apartment Type
168	Montrose	305 – 26 Street E	30	Garden style apartment
169	Parkview	445 – 5 Avenue N	26	Garden style apartment
170	Booth	106 – 111 Street	24	Garden style apartment
171	Diane	541 Avenue W	24	Garden style apartment
172	Key West	135 Avenue W South	24	Garden style apartment
173	Peat	3701 – 8 Street E	24	Garden style apartment
174	Pisces	1622 – 22 Street	24	Garden style apartment
175	Scorpio 2	111 Avenue T South	24	Garden style apartment
176	Libra	202 Avenue N South	19	Garden style apartment
177	Diane 2	2310 – 17 Street	18	Garden style apartment
178	Preston	909 Preston Avenue	18	Garden style apartment
179	Linde	1101 Avenue W North	18	Garden style apartment
180	Aquarius Place	2014 – 20 Street West	18	Garden style apartment
181	Scorpio	114 Avenue T South	18	Garden style apartment
182	Preston 2	905 Preston Ave	18	Garden style apartment
183	Laurentein	2513 – 7 Street	17	Garden style apartment
184	St. Paul	1701 – 20 Street West	17	Garden style apartment
185	Leo Manor	355 Avenue T South	16	Garden style apartment
186	Victoria park	612 Spadina Cres. W	15	Garden style apartment
187	Gemini Court	403 Avenue P South	15	Garden style apartment
188	Duchess	901 – 5 Avenue	12	Garden style apartment
189	Raydel	339 Avenue Q South	12	Garden style apartment
190	Camelot	1901 – 22 Street West	12	Garden style apartment
191	Kerpel	131 Avenue P south	12	Garden style apartment
192	Pleasant	1628 – 22 Street West	11	Garden style apartment
193	Capricorn	128 Avenue O South	11	Garden style apartment
Saskatoon, SK – Total			917	
Toronto, ON ^[1]				
Address		# of Units	Apartment Type	
194	Woolner Apartments	220/230 Woolner Avenue	260	Concrete hi-rise apartment
Toronto, ON – Total			260	
195	Head office	305 – 10 Ave, SE	–	
Total Mainstreet Portfolio			8,478	

[1] The property in Ontario was classified as assets held for sale as of September 30, 2013.

CAPITAL IMPROVEMENTS

Mainstreet's "Value Chain" business philosophy focuses on creating value in its capital assets by renovating newly-acquired properties and enhancing operating efficiencies. Every property and rental unit is upgraded to meet Mainstreet's branded standard, which creates an attractive product while reducing operating costs and enhancing long-term asset value. Capital investment also includes expenses incurred on turnover units.

In fiscal year 2013, the Corporation spent \$11.0 million (2012 – \$11.0 million) respectively on property improvements – specifically for exterior upgrades such as new roofs, new windows, new siding and insulation. Other improvements include interior upgrades such as new flooring and paint, new appliances and energy-efficiency upgrades. To address the balance of non-renovated units in the current portfolio, Mainstreet plans to spend an estimated \$12 million on renovations 2014. These improvements are expected to be financed through existing cash balances, funds from

operations and on-going refinancing of existing properties. Mainstreet expects to complete most of these renovations of existing properties within the next 6 to 24 months. Revenue and income are expected to increase over time as more units are renovated and reintroduced to the market at higher rental rates.

Uncertainties affecting future revenue and income include the rate of turnover of existing tenants, availability of renovation workers, and increases in labour and material costs, all of which will have a material impact on the timing and cost of completing these renovations.

Financing

Debt financing after property stabilization and maturity of initial loans is a cornerstone of Mainstreet's business strategy. Management believes this unlocks added value through stabilization and liberates capital for future growth. It also mitigates the risk of anticipated interest rate hikes and minimizes the costs of borrowing. Mainstreet continually refinances as much floating and maturing debt as possible into long-term, primarily CMHC-insured mortgages at lower interest rates.

In 2013, Mainstreet has financed 5 clear title properties after stabilization in BC for \$23.7 million and refinanced \$67.5 million in matured mortgages into 10-year long-term CMHC insured mortgage loans for \$80.7 million at an average interest rate of 3.4%, which resulted in an annualized savings in interest expenses of approximately \$390,000 and additional fund of \$36.9 million was raised for future growth.

Mainstreet has also obtained approval from CMHC to refinance approximately \$15 million (16%) of mortgages maturing in 2014 and new mortgages of \$7.6 million on 5 existing clear title properties after stabilization in Saskatoon. Additional \$10 million is expected to be raised. At an estimated interest rate of 3.8%, we expect an annualized interest expense savings of approximately \$85,000 from the refinancing.

Vacancy Rates

The average vacancy rate was 9.5% in 2013 as compared to 8.6% in 2012. As of December 1, 2013, the average vacancy rate was 5.5% excluding 205 un-rentable units currently undergoing complete re-development.

REVIEW OF FINANCIAL & OPERATING RESULTS

Summary of Financial Results

(000s of dollars except per share amounts)

September 30	2013	2012	% change
Gross revenue	\$ 78,221	\$ 66,850	17%
Profit from continuing operations before other items and income tax expense	\$ 18,831	\$ 14,703	28%
Profit			
– from continuing operations	\$ 62,486	\$ 49,980	25%
– from discontinued operations	\$ 790	\$ 6,071	(87%)
Funds from operations before stock option cash settlement expense and loss on disposition			
– from continuing operations	\$ 19,139	\$ 14,936	28%
– from discontinued operations	\$ 63	\$ 865	(93%)
Funds from operations ⁽¹⁾			
– from continuing operations	\$ 19,011	\$ 12,153	56%
– from discontinued operations	\$ 63	\$ 865	(93%)
Net operating income from continuing operations ⁽²⁾	\$ 52,033	\$ 44,905	16%
Operating margin from continuing operations	67%	67%	
EBITDA before fair value adjustment, loss on disposition and stock option cash settlement expenses from continuing operations ⁽³⁾	\$ 44,053	\$ 38,213	15%
Fair value adjustment	\$ 59,472	\$ 46,909	25%
Profit per share from continuing operations before other items and income tax expense			
Basic	\$ 1.80	\$ 1.41	28%
Fully diluted	\$ 1.69	\$ 1.32	28%
Profit per share			
Basic – continuing operations	\$ 5.97	\$ 4.79	25%
Basic – discontinued operations	0.08	\$ 0.58	(86%)
Fully diluted – continuing operations	\$ 5.60	\$ 4.50	24%
Fully diluted – discontinued operations	\$ 0.07	\$ 0.55	(87%)
Funds from operations per share before stock option cash settlement expense and loss on disposition			
Basic – continuing operations	\$ 1.83	\$ 1.43	28%
Basic – discontinued operations	\$ 0.01	\$ 0.08	(88%)
Fully diluted – continuing operations	\$ 1.71	\$ 1.35	27%
Fully diluted – discontinued operations	\$ 0.01	\$ 0.08	(88%)
Funds from operations per share			
Basic – continuing operations	\$ 1.82	\$ 1.16	57%
Basic – discontinued operations	\$ 0.01	\$ 0.08	(88%)
Fully diluted – continuing operations	\$ 1.70	\$ 1.10	55%
Fully diluted – discontinued operations	\$ 0.01	\$ 0.08	(88%)
Weighted average number of shares			
Basic	10,465,281	10,441,762	0%
Fully diluted	11,159,947	11,097,400	1%
Sep. 30, 2013			
Total Assets	\$ 1,164,441		
Total Long term liabilities	\$ 532,417		

1. Funds from operations ("FFO") are calculated as profit before fair value gain (loss), depreciation of property, plant and equipment and deferred income taxes. FFO is a widely accepted supplemental measure of a Canadian real estate company's performance but is not a recognized measure under IFRS. The IFRS measurement most directly comparable to FFO is profit (for which reconciliation is provided below). FFO should not be construed as an alternative to profit or cash flow from operating activities, determined in accordance with IFRS, as an indicator of Mainstreet's performance. Readers are cautioned that FFO may differ from similar calculations used by other comparable entities.
2. Net operating income ("NOI") is rental revenue minus property operating expenses. While Mainstreet uses NOI to measure its operational performance, it is not a recognized measure under IFRS. The IFRS measure most directly comparable to NOI is profit. NOI should not be construed as an alternative to profit determined in accordance with IFRS. Readers are cautioned that NOI may differ from similar calculations used by other comparable entities. A reconciliation of profit to net operating income from continuing operations for the period is as follows:

(000s of dollars)

	2013	2012	% change
Profit and comprehensive income	\$ 63,276	\$ 56,051	13%
Profit from discontinued operations	\$ (790)	\$ (6,071)	(87%)
Profit and comprehensive income from continuing operations	\$ 62,486	\$ 49,980	25%
Interest income	\$ (31)	\$ (25)	24%
Stock option cash settlement expenses	\$ 128	\$ 2,017	(94%)
Loss on disposition of investment properties	\$ –	\$ 766	(100%)
Fair value gains	\$ (59,472)	\$ (46,909)	27%
General and administrative expenses	\$ 8,011	\$ 6,717	19%
Mortgage interest	\$ 23,163	\$ 21,531	8%
Financing cost	\$ 1,751	\$ 1,746	–
Depreciation	\$ 308	\$ 233	32%
Deferred tax	\$ 15,689	\$ 8,849	77%
Net operating income	\$ 52,033	\$ 44,905	16%

3. EBITDA is earnings before fair value gain (loss), interest, financing cost, taxes, depreciation and amortization and is used by Mainstreet to measure financial performance. EBITDA is not, however, a recognized measure under IFRS. Management believes EBITDA is a useful supplemental measure to profit, providing investors with an indicator of cash available for distribution, future growth and capital expenditure. The IFRS measure most directly comparable to EBITDA is profit. EBITDA should not be construed as an alternative to profit determined in accordance with IFRS. Readers are cautioned that EBITDA may differ from similar calculations used by other comparable entities. A reconciliation of profit to EBITDA from continuing operations for the period is as follows:

(000s of dollars)

September 30	2013	2012	% change
Profit and comprehensive income	\$ 63,276	\$ 56,051	13%
Profit from discontinued operations	\$ (790)	\$ (6,071)	(87%)
	\$ 62,486	\$ 49,980	25%
Stock option cash settlement expense	\$ 128	\$ 2,017	(94%)
Loss on disposition of investment properties	\$ –	\$ 766	(100%)
Mortgage interest	\$ 23,163	\$ 21,531	8%
Financing cost	\$ 1,751	\$ 1,746	–
Fair value gains	\$ (59,472)	\$ (46,909)	27%
Depreciation	\$ 308	\$ 233	32%
Income taxes	\$ 15,689	\$ 8,849	77%
EBITDA from continuing operations	\$ 44,053	\$ 38,213	15%

FUNDS FROM OPERATIONS

Management believes that FFO, as defined in the preceding footnote, is a key measure of a real estate entities' performance. Mainstreet generates FFO from three sources: rental revenue and ancillary rental income from investment properties, sale of properties acquired for resale purposes and the periodic sale of investment properties. Mainstreet generally reinvests the proceeds from the latter into investment properties with greater potential for long-term returns.

(000s of dollars)

	2013	2012	% change
Profit and comprehensive income	\$ 63,276	\$ 56,051	13%
Fair value gain	\$ (59,472)	\$ (46,909)	27%
Depreciation	\$ 308	\$ 233	32%
Deferred income tax	\$ 15,689	\$ 8,849	77%
Profit from discontinued operation	\$ (790)	\$ (6,071)	(87%)
Funds from continuing operations	\$ 19,011	\$ 12,153	56%
Stock option cash settlement expenses	\$ 128	\$ 2,017	(94%)
Loss on disposition from investment property	\$ –	\$ 766	(100%)
Funds from continuing operation before stock option cash settlement expenses and loss on disposition from investment property	\$ 19,139	\$ 14,936	28%
Funds from discontinued operation	\$ 63	\$ 865	(93%)
Funds from operations before stock option cash settlement expenses and loss on disposition	\$ 19,202	\$ 15,801	22%
Funds from operations	\$ 19,074	\$ 13,018	47%
Funds from operations per share before stock option cash settlement expenses and loss on disposition			
Basic – continuing operations	\$ 1.83	\$ 1.43	28%
Basic – discontinued operations	\$ 0.01	\$ 0.08	(88%)
Fully diluted – continuing operations	\$ 1.71	\$ 1.35	27%
Fully diluted – discontinued operations	\$ 0.01	\$ 0.08	(88%)
Funds from operations per common share			
Basic – continuing operations	\$ 1.82	\$ 1.16	57%
Basic – discontinued operations	\$ 0.01	\$ 0.08	(88%)
Fully diluted – continuing operations	\$ 1.70	\$ 1.10	55%
Fully diluted – discontinued operations	\$ 0.01	\$ 0.08	(88%)
Weighted average number of shares			
Basic	10,465,281	10,441,762	
Fully diluted	11,159,947	11,097,400	

In 2013, Mainstreet's funds from continuing operations increased to \$19.1 million – up 56% from \$12.2 million in 2012.

Profit from continuing operations

For the year ended September 30, 2013, Mainstreet reported a profit from continuing operations of \$62.5 million (\$5.97 per basic share) as compared to a profit of \$50.0 million (\$4.79 per basic share in 2012), an increase of 25%.

The profit in the year ended September 30, 2013 included fair value gain of \$59.5 million as compared to fair value gain of \$46.9 million in 2012. In addition, a future income tax expense of \$15.7 million was provided in 2013 as compared with \$8.8 million in 2012.

Excluding the fair value gains, stock option cash settlement, loss on disposition for ended September 30, 2013, Mainstreet reported a pre-tax profit from continuing operations of \$18.8 million (\$1.80 per basic share), an increase of 28% compared with \$14.7 million in 2012.

The increase in pre-tax profit and FFO for 2013 was mainly attributable to the increase in the Corporation's portfolio from an average of 8,281 units in 2013 from 7,882 units in 2012, increase in rental rates and a substantial reduction in rental incentives.

REVENUES

(000s of dollars)

	2013	2012	% change
Rental revenue	\$ 76,958	\$ 65,881	17%
Ancillary rental income	\$ 1,232	\$ 944	31%
Interest income	\$ 31	\$ 25	24%
Gross revenues	\$ 78,221	\$ 66,850	17%

Rental revenue increased by 17% to \$77.0 million in 2013 from \$65.9 million in 2012, due mainly to growth of the Corporation's portfolio, increase in rental rates and decreases in rental incentives.

RENTAL OPERATIONS

(000s of dollars except per unit data)

	2013	2012	% change
Same assets rental revenue and ancillary rental income	\$ 67,766	\$ 62,364	9%
Acquisition rental revenue and ancillary rental income	\$ 10,424	\$ 4,461	134%
Total rental revenue	\$ 78,190	\$ 66,825	17%
Average vacancy rate	9.5%	8.3%	14%
Weighted average number of units	7,886	7,238	9%
Average rental rate per unit per month	\$ 826	\$ 769	7%

Rental revenues and ancillary rental income from "same-assets" properties (properties owned during the entire fiscal years ended September 30, 2013 and 2012) increased by 9% to \$67.8 million from \$62.4 million in 2012, mainly due to increases in rental rates and decreases in rental incentives.

In 2013, rental revenues from newly acquired properties were \$10.4 million – a substantial increase of 134% over 2012. This increase is a result of Mainstreet's acquisition of 1,535 units since October 1, 2011.

RENTAL RATES INFORMATION

The following table sets forth a comparison of current Mainstreet portfolio rental rates, which represents a net rental rate after vacancy loss and rent incentive compared with market rental rates, as of September 30, 2013.

(Per unit per month)

Province	Market Rent Rate	Current Rent Rate	Avg. 2013 Current Rent		Overall Avg. Net Rent Rate 2013
			Stabilized	Unstabilized	
British Columbia	\$ 844	\$ 819	\$ 828	\$ 779	\$ 714
Alberta	\$ 1,039	\$ 982	\$ 1,048	\$ 904	\$ 861
Saskatchewan	\$ 924	\$ 887	\$ 884	\$ 778	\$ 720
Overall	\$ 975	\$ 928	\$ 936	\$ 861	\$ 805

OPERATING COSTS

(000s of dollars)

	2013	2012	% change
Same assets operating expenses	\$ 22,278	\$ 20,284	10%
Acquisition operating expenses	\$ 3,879	\$ 1,636	137%
Total operating costs	\$ 26,157	\$ 21,920	19%
Operating cost per unit	\$ 279	\$ 253	10%

Overall, operating costs increased 19% to \$26.2 million in 2013 compared to \$21.9 million in 2012, mainly due to growth in the Corporation's portfolio of properties, as well as increases in property tax, repair and maintenance and utility expenses.

RENTAL OPERATIONS BY PROVINCE

Mainstreet manages and tracks the performance of rental properties in each of its geographic markets.

British Columbia

The average number of rental units has increased slightly by 3% to 2,175 units in 2013 compared to 2,112 units in 2012. Rental revenue increased by 4% to \$19.1 million in 2013 compared to \$18.3 million in 2012. Average rental revenue per unit increased by 1% to \$730 per month in 2013 from \$722 per month in 2012.

The average operating cost per unit remained fair stable in comparing with the previous year at \$259 in 2013 compared to \$258 in 2012. As a net result, the operating margin for 2013 improved to 65% as compared to 64% in 2012.

(000s of dollars except per unit data)

	2013	2012	% change
Rental revenue and ancillary rental income	\$ 19,059	\$ 18,299	4%
Operating expenses	\$ 6,759	\$ 6,539	3%
Net operating income	\$ 12,300	\$ 11,760	5%
Weighted average number of units	2,175	2,112	3%
Average rent per unit per month	\$ 730	\$ 722	1%
Operating cost per unit per month	\$ 259	\$ 258	–
Average vacancy rate	7.7%	6.8%	
Operating margin	65%	64%	

Alberta

Average rental revenue increased by 25% to \$51.1 million in 2013 from \$41.0 million in 2012, due mainly to a substantial increase in the size of the Corporation's Alberta portfolio to an average of 4,806 units in 2013 from 4,256 units in 2012. Average rental revenue per unit increased to \$886 per month in 2013 from \$803 per month in 2012 mainly due to an increase in rental rates and decrease in rental incentives. Average operating costs per unit per month increased by 13% to \$292 in 2013 from \$258 in 2012 – due mainly to increased repair, maintenance, utility and property tax payments. As a net result, the operating margin in 2013 dropped by one percentage point to 67% as compared to 68% in 2012.

(000s of dollars except per unit data)

	2013	2012	% change
Rental revenue and ancillary rental income	\$ 51,102	\$ 41,036	25%
Operating expenses	\$ 16,850	\$ 13,156	28%
Net operating income	\$ 34,252	\$ 27,880	23%
Weighted average number of units	4,806	4,256	13%
Average rent per unit per month	\$ 886	\$ 803	10%
Operating cost per unit per month	\$ 292	\$ 258	13%
Average vacancy rate	9.0%	8.9%	
Operating margin	67%	68%	

Saskatchewan

The average number of units in 2013 was 905 – a 6% increase over 850 units in 2012. Average rental revenue increased 7%. Average monthly rent per unit increased to \$739 in 2013 from \$734 in 2012 due mainly to a decrease in rental incentives. Average operating expenses per unit increased by 8% to \$235 in 2013 from \$218 in 2012 due to an increase in repair, maintenance and utility expenses. As a result, the overall operating margin decreased to 68% from 70% in 2012.

(000s of dollars except per unit data)

	2013	2012	% change
Rental revenue and ancillary rental income	\$ 8,029	\$ 7,490	7%
Operating expenses	\$ 2,548	\$ 2,225	15%
Net operating income	\$ 5,481	\$ 5,265	4%
Weighted average number of units	905	850	6%
Average rent per unit per month	\$ 739	\$ 734	1%
Operating cost per unit per month	\$ 235	\$ 218	8%
Average vacancy rate	16.1%	12.4%	
Operating margin	68%	70%	

RESULTS OF DISCONTINUED OPERATIONS

The results of the Corporation's Ontario segment were presented as discontinued operations following the management's decision to dispose this entire segment and focus its business in western Canada.

Management believes western Canada is the region with greater business opportunities, growth potential and business environment which match with the Corporation's value added business model.

Three out of the four properties in Ontario have been disposed of for a consideration of \$46.9 million on January 23, 2013. The remaining property has been disposed of for consideration of \$22.1 million and is anticipated to be completed by the end of January 2014.

Results of discontinued operations

Year ended September 30	2013	2012
Rental revenue	\$ 4,185	\$ 7,364
Ancillary rental income	130	268
	4,315	7,632
Property operating expenses	2,290	3,882
Net operating income	2,025	3,750
Interest income	19	—
	2,044	3,750
Mortgage interest	988	1,803
Amortization of financing cost	332	154
General and administrative expenses	661	928
Depreciation	2	3
	1,983	2,888
Profit from discontinued operations before fair value (losses) gains and loss on disposition and income tax expense	61	862
Loss on disposition	(666)	—
Fair value (losses) gains	(2,044)	7,112
(Loss) profit before income tax expense	(2,649)	7,974
Income tax (recovery) expense	(3,439)	1,903
Profit from discontinued operation (net of tax)	\$ 790	\$ 6,071
Basic profit per share	\$ 0.08	\$ 0.58
Diluted profit per share	\$ 0.07	\$ 0.55

GENERAL & ADMINISTRATIVE (G&A) EXPENSES

(000s of dollars except per unit data)

	2013	2012	% change
Total G&A expenses	\$ 8,011	\$ 6,717	19%
Per unit per month	\$ 85	\$ 78	9%

G&A expenses include corporate costs such as salaries and professional fees. In 2013, the increase in G&A expenses was mainly attributable to increased salaries and management staff bonuses as a result of building up a stronger management team for the future growth of operations. The average G&A expense per unit per month increased 9% to \$85 in 2013 from \$78 in 2012.

FINANCING COSTS

(000s of dollars)

	2013	2012	% change
Same assets mortgage interest	\$ 19,696	\$ 18,360	7%
Acquisition mortgage interest (Note 1)	\$ 3,467	\$ 3,171	9%
Total interest expenses	\$ 23,163	\$ 21,531	8%
Financing charges	\$ 1,751	\$ 1,746	—

1. Mortgage interest for properties acquired after the financial year ended October 1, 2011

Mainstreet's "same assets" mortgage interest increased by 7% to \$19.7 million in 2013 compared to \$18.4 million in 2012, mainly due to a result of refinancing matured debts and floating debts following the stabilization of properties.

SUMMARY OF QUARTERLY RESULTS

(000s of dollars except per share amounts)

	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011
Rental revenue	\$ 20,642	\$ 19,509	\$ 18,696	\$ 18,112	\$ 17,594	\$ 16,829	\$ 16,162	\$ 15,294
Interest income	14	6	5	6	8	7	6	4
Gain on insurance	—	—	—	—	—	—	—	—
Ancillary rental income	400	299	275	258	244	331	202	169
Total revenue from continuing operations	\$ 21,056	\$ 19,814	\$ 18,976	\$ 18,376	\$ 17,846	\$ 17,167	\$ 16,370	\$ 15,467
Fair value gains (losses)	\$ 49,244	\$ 942	\$ (2,951)	\$ 12,238	\$ (3,064)	\$ 30,255	\$ 16,205	\$ 3,513
Loss on disposal of an investment properties	\$ —	\$ —	\$ —	\$ —	\$ (85)	\$ —	\$ (681)	\$ —
Stock option cash settlement expense	\$ —	\$ —	\$ —	\$ (128)	\$ —	\$ —	\$ (2,017)	\$ —
(Loss) Profit from continuing operations	\$ 46,110	\$ (690)	\$ 3,301	\$ 13,775	\$ (626)	\$ 30,295	\$ 14,782	\$ 5,530
(Loss) Profit from discontinued operations	\$ (630)	\$ (182)	\$ 2,005	\$ (412)	\$ 2,781	\$ 2,245	\$ 1,803	\$ (758)
Profit (loss) for the period	\$ 45,480	\$ (872)	\$ 5,306	\$ 13,363	\$ 2,155	\$ 32,540	\$ 16,586	\$ 4,772
Per share results								
Basic – continuing operations	\$ 4.41	\$ (0.07)	\$ 0.32	\$ 1.32	\$ (0.06)	\$ 2.89	\$ 1.42	\$ 0.53
Basic – discontinued operations	\$ (0.06)	\$ (0.02)	\$ 0.19	\$ (0.04)	\$ 0.27	\$ 0.21	\$ 0.17	\$ (0.07)
Diluted – continuing operations	\$ 4.13	\$ (0.06)	\$ 0.30	\$ 1.23	\$ (0.06)	\$ 2.72	\$ 1.33	\$ 0.50
Diluted – discontinued operations	\$ (0.06)	\$ (0.02)	\$ 0.18	\$ (0.04)	\$ 0.25	\$ 0.20	\$ 0.16	\$ (0.07)

Highlights of the Corporation's financial results for the fourth quarter ("Q4") ended September 30, 2013:

- During Q4 2013, Mainstreet acquired two residential apartment buildings (48 units) at an average cost of \$92,000 per unit.
- In Q4 2013, rental income increased to \$20.6 million from \$19.5 million in Q3 2013 and \$17.6 million in Q4 2012, due mainly to the acquisition of more rental units, increased rental rates and decreased rental incentives.
- Fair value gain for the quarter was \$49.2 million as compared to \$0.9 million in Q3 2013 and a loss of (\$3.1) million in Q4 2012.
- Property operating expenses decreased to \$6.5 million in Q4 2013 as compared to \$6.6 million in Q3 2013 mainly due to decreased utility and heating expenses. As compared to Q4 2012, property operating expenses increased from \$5.6 in Q4 2012 due mainly to the acquisition of more rental units.
- In Q2 2013, three out of the four properties in Ontario have been disposed of for a consideration of \$46.9 million on January 23, 2013.

SAME ASSETS PROPERTIES

"Same assets" properties are properties owned by the Corporation for the fiscal years ended September 30, 2013 and 2012. As of September 30, 2013, 145 properties (6,683 units) out of Mainstreet's 193 properties (8,218 units) constituted same assets properties.

(000s of dollars)

	2013	2012	% change
Same assets – rental and ancillary rental income	\$ 67,766	\$ 62,364	9%
Same assets – operating costs	\$ 22,278	\$ 20,284	10%
Same assets – net operating income	\$ 45,488	\$ 42,080	8%
Operating margin	67%	67%	

Rental revenues from "same assets" properties (properties owned during the entire fiscal years ended September 30, 2013 and 2012) increased by 9% to \$67.8 million in 2013 from \$62.4 million in 2012 as a result of increased rental rates and reduced rental incentives. The average vacancy rate in 2013 decreased to 7.3% as compared to 8.1% in 2012.

Operating costs for same assets properties increased by 10% mainly due to increases in property tax, repair, maintenance and utility expenses. As a net result, the operating margin in 2013 remains constant at 67% as compared to 2012.

STABILIZED PROPERTIES

Properties acquired more than three years ago in British Columbia and more than two years ago in Alberta and Saskatchewan are classified as stabilized properties, except for those properties acquired for resale and complete redevelopment purposes. As of September 30, 2013, 143 properties (6,431 units) out of 193 properties (8,218 units) were stabilized.

FUNDS FROM OPERATIONS OF STABILIZED PROPERTIES

For 2013, FFO from continued operations before stock option cash settlement expense of Mainstreet's stabilized property portfolio amounted to \$17.4 million (\$1.66 per basic share and \$1.56 per fully diluted share).

(000s of dollars except per share amounts)

	Three months ended September 30, 2013			Twelve months ended September 30, 2013		
	Stabilized properties	Non-stabilized properties	Total	Stabilized properties	Non-stabilized properties	Total
Rental and ancillary rental income	\$ 17,013	\$ 4,029	\$ 21,042	\$ 65,710	\$ 12,480	\$ 78,190
Property operating expenses	\$ 5,115	\$ 1,423	\$ 6,538	\$ 21,303	\$ 4,854	\$ 26,157
Net operating income	\$ 11,898	\$ 2,606	\$ 14,504	\$ 44,407	\$ 7,626	\$ 52,033
Operating margin	70%	65%	69%	68%	61%	67%
Vacancy rate	7.1%	16.3%	8.4%	7.2%	13.7%	8.4%
Interest income	\$ 11	\$ 3	\$ 14	\$ 23	\$ 8	\$ 31
General & administrative expenses	\$ 1,500	\$ 605	\$ 2,105	\$ 6,091	\$ 1,920	\$ 8,011
Mortgage interest	\$ 4,884	\$ 1,041	\$ 5,925	\$ 19,456	\$ 3,707	\$ 23,163
Financing cost	\$ 388	\$ 12	\$ 400	\$ 1,482	269	\$ 1,751
Funds from operations before loss on disposal and stock option cash settlement expense	\$ 5,137	\$ 951	\$ 6,088	\$ 17,401	\$ 1,738	\$ 19,139
Stock option cash settlement expense	\$ –	\$ –	\$ –	\$ –	\$ (128)	\$ (128)
Funds from operations	\$ 5,137	\$ 951	\$ 6,088	\$ 17,401	\$ 1,610	\$ 19,011
Funds from operations per share before loss on disposal and stock option cash settlement expense						
– basic	\$ 0.49	\$ 0.09	\$ 0.58	\$ 1.66	\$ 0.17	\$ 1.83
– diluted	\$ 0.46	\$ 0.09	\$ 0.55	\$ 1.56	\$ 0.16	\$ 1.71
Funds from operations per share						
– basic	\$ 0.49	\$ 0.09	\$ 0.58	\$ 1.66	\$ 0.15	\$ 1.82
– diluted	\$ 0.46	\$ 0.09	\$ 0.55	\$ 1.56	\$ 0.14	\$ 1.70
Weighted average number of shares						
– Basic	10,465,281			10,465,281		
– Diluted	11,159,947			11,159,947		

LIQUIDITY & CAPITAL RESOURCES

Working Capital Requirement

Mainstreet requires sufficient working capital to cover day-to-day operating and mortgage expenses as well as income tax payments. In 2013, after payments of all required expenses, the Corporation generated funds from operations of \$19.3 million.

Management expects that funds generated from operations will continue to grow when more units are renovated and re-introduced to the market at higher rental rates and that these funds should be sufficient to meet the Corporation's working capital requirements on a year-to-year basis going forward.

The Corporation had a revolving line of credit of \$20 million, of which \$3 million has been drawn and \$17 million is available for working capital.

Other Capital Requirements

Mainstreet also needs sufficient capital to finance continued growth and capital improvement. As of September 30, 2013, the Corporation had an acquisition line of credit in an amount of \$35 million and none of which had been used as of September 30, 2013. The Corporation's policy for capital risk management is to maintain a debt-to-fair value

of investment properties ratio of 70%. The current ratio is approximately 49%, which Management believes leaves considerable room for raising additional funds from refinancing if the need arises.

As of September 30, 2013, the Corporation owned the following 30 clear title properties with fair value of approximately \$95 million:

(000s of dollars except unit information)

Property	Number of units	Cost of Acquisition (000s)	Fair Value (000s)
3147 – 151 Avenue	99	\$ 10,000	\$ 11,800
3147 – 151 Avenue, Edmonton, AB	99	\$ 10,000	\$ 11,800
412 Huntsville Cres NW, Calgary AB	52	\$ 5,500	\$ 9,850
13220 – 113 A St., Edmonton, AB	48	\$ 4,207	\$ 6,480
528 & 530 – 15 Ave SW, Calgary, AB	32	\$ 3,600	\$ 6,700
10125 – 114 Street, Edmonton, AB	24	\$ 1,103	\$ 990
10624/10632 – 103 Street, NW Edmonton, AB	24	\$ 1,900	\$ 1,980
11233 – 124 Street, Edmonton, AB	24	\$ 2,500	\$ 2,540
111 Avenue T South, Saskatoon SK	24	\$ 1,800	\$ 2,500
111 Avenue T South, Saskatoon SK	24	\$ 1,800	\$ 2,500
1063 – 105 Street NW, Edmonton AB	23	\$ 1,900	\$ 2,700
10630 – 105 Street NW, Edmonton AB	23	\$ 1,900	\$ 2,700
10823 – 115 Street, Edmonton AB	21	\$ 2,016	\$ 2,600
1735 – 26 Avenue SW, Calgary	20	\$ 2,100	\$ 4,400
11545 – 124 Street, Edmonton AB	20	\$ 1,840	\$ 2,050
2014 – 20 Street West, Saskatoon, SK	18	\$ 494	\$ 2,000
114 Avenue T South, Saskatoon, SK	18	\$ 342	\$ 2,025
905 Preston Avenue East, Saskatoon, SK	18	\$ 1,530	\$ 2,100
15216 – 100 Avenue, Edmonton AB	18	\$ 1,505	\$ 1,910
15216 – 100 Avenue, Edmonton AB	18	\$ 1,505	\$ 1,910
355 Avenue T South, Saskatoon, SK	16	\$ 422	\$ 1,750
10356 – 92 Street, Edmonton AB	15	\$ 1,200	\$ 1,590
10443 – 156 Street, Edmonton AB	12	\$ 1,092	\$ 1,500
10016 – 152 Street, Edmonton AB	12	\$ 1,062	\$ 1,420
11225 – 117 Street, Edmonton AB	12	\$ 1,140	\$ 1,400
10041 – 152 Street, NW Edmonton AB	12	\$ 1,158	\$ 1,600
10443 – 156 Street, Edmonton AB	12	\$ 1,092	\$ 1,500
10016 – 152 Street, Edmonton AB	12	\$ 1,062	\$ 1,420
9804 – 102 Street, Fort Saskatchewan AB	9	\$ 920	\$ 1,200
Multi-family developing lot, 33283 Bourquin Cr. E, Abbotsford, BC	–	\$ 306	\$ 450
Total as of Sep 30, 2013	759	\$ 66,996	\$ 95,365

If required, Mainstreet believes it could raise additional capital funds through mortgage financing at competitive rates under which these clear title properties would be pledged as collateral. Management believes these resources will be sufficient to meet other on-going capital requirements in the near and medium terms.

CONTRACTUAL OBLIGATIONS

As of September 30, 2013, the Corporation had the following contractual obligations, which are anticipated to be met using the existing line of credit, funds from operations and proceeds from the refinancing of maturing and floating mortgage loans.

PAYMENTS DUE BY PERIOD

Estimated principal payments required to retire the mortgage obligations as of September 30, 2013 are as follows:

Year	Amount
2014	\$ 105,522
2015	\$ 88,852
2016	\$ 54,445
2017	\$ 31,784
2018	\$ 32,436
Subsequent	\$ 249,890
	\$ 562,929
Deferred financing cost	\$ (8,313)
	\$ 554,616

LONG-TERM DEBT

(000s of dollars)

	Amount	% of debt	Average interest rate (%)
Fixed rate debt			
– CMHC-insured	\$ 456,981	81 %	4.11 %
– non-CMHC-insured	\$ 70,061	12 %	4.33 %
Total fixed rate debt	\$ 527,042	94 %	4.13 %
Floating rate debt	\$ 35,887	6 %	4.71 %
– non-CMHC-insured	\$ 562,929	100 %	4.17 %
Deferred financing cost	\$ (8,313)		
	\$ 554,616		

Mainstreet's long-term debt consists primarily of low-rate, fixed-term mortgage financing. All individual mortgages are secured with their respective real estate assets. Based largely on the fair value of properties, Management believes this financing reflects the strength of its property portfolio. The maturity dates for this debt are staggered to mitigate overall interest rate risk.

As of September 30, 2013, total mortgages payable were \$555 million compared to \$473 million on September 30, 2012 – an increase of 17% due to financing during the fiscal year ended September 30, 2013.

At September 30, 2013, Management believes the Corporation's financial position to be stable, with overall mortgage levels reported at 49% of fair value of investment properties. About 81 % of the Corporation's mortgage portfolio was CMHC-insured, providing Mainstreet with interest rates lower than those available through conventional financing.

To maintain cost-effectiveness and flexibility of capital, Mainstreet continually monitors short-term and long-term interest rates. When doing so is expected to provide a benefit, the Corporation intends to convert short-term floating-rate debt to long-term, CMHC-insured fixed-rate debt.

MORTGAGE MATURITY SCHEDULE

(000s of dollars)

Maturing during the following financial year end	Balance maturing	% of debt maturing	Weighted average rate on expiry (%)
2014	\$ 96,395	17%	3.99%
2015	\$ 81,996	15%	4.61%
2016	\$ 51,089	9%	4.67%
2017	\$ 28,913	5%	4.92%
2018	\$ 29,961	5%	5.15%
Subsequent	\$ 274,575	49%	3.84%
	\$ 562,929	100%	4.17%

INTERNAL CONTROL

The Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed an internal control framework to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporation's Internal Control over Financial Reporting (ICFR) is Risk Management and Governance – Guidance on Control, published by the Canadian Institute of Chartered Accountants. The CEO and CFO have concluded that the design and operation of the Corporation's disclosure controls and procedures were not effective as of September 30, 2013 due to the deficiencies noted in the following paragraph.

The Corporation identified internal control deficiencies that are not atypical for a Corporation of this size including lack of segregation of duties due to a limited number of employees dealing with accounting and financial matters. However, management believes that at this time, the potential benefits of adding employees to clearly segregate duties do not justify the costs associated with such an increase. The risk of material misstatement is mitigated by the direct involvement of senior management in the day-to-day operations of the Corporation and review of the financial statements and disclosures by senior management, the members of Audit Committee and the Board of Directors. These mitigating procedures are not considered sufficient to reduce the likelihood that a material misstatement would not be prevented or detected.

There were no material changes in internal controls over financial reporting during 2013.

FINANCIAL INSTRUMENTS & RISK MANAGEMENT

Fair Value of Financial Assets & Liabilities

The Corporation's financial assets and liabilities comprise restricted cash, cash and cash equivalents, trade and other receivables, mortgage receivable, bank indebtedness, mortgages payable, trade and other payables, and refundable security deposits. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of restricted cash, cash and cash equivalents, accounts receivable, other receivables and prepaid assets, accounts payable, and refundable security deposits approximate their carrying amounts due to the short-term maturity of those instruments.

The fair values of mortgages are determined using the current market interest rates as discount rates, the net present value of principal balances and future cash flows over the terms of the mortgages. In identifying the appropriate level of fair value, the Corporation performs a detailed analysis of the financial assets and liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy categorized as follow:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Values based on valuation techniques for which any significant input is not based on observable market data.

The fair values of financial assets and liabilities were as follows:

(000s of dollars)

	September 30, 2013		September 30, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Restricted cash	\$ 2,797	\$ 2,797	\$ 2,232	\$ 2,232
Cash and cash equivalents	1,825	1,825	2,205	2,205
Trade and other receivables	1,466	1,466	1,115	1,115
Mortgage receivable	2,500	2,500	–	–
Financial liabilities:				
Bank indebtedness	2,874	2,874	37,762	37,762
Mortgages payable	554,616	574,778	473,230	508,369
Trade and other payables	8,041	8,041	4,207	4,207
Refundable security deposits	3,468	3,468	2,903	2,903

Risk Associated with Financial Assets & Liabilities

The Corporation is exposed to risks arising from its financial assets and liabilities. These include market risk related to interest rates, credit risk and liquidity risk. For detailed explanations of these risks, refer to the section entitled “Risk Assessment and Management” on page 28.

SHARE CAPITAL

Authorized:

Unlimited number of common voting shares with no par value

Unlimited number of preferred shares with no par value

Issued, outstanding and fully paid:

	September 30, 2013		September 30, 2012	
	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding, beginning of the year	10,465,281	\$ 28,403	10,401,281	\$ 26,762
Shares purchase loan reduction	–	120	–	46
Exercise of stock options	–	–	64,000	935
Transfer from contributed surplus	–	18	–	660
Issued and outstanding, end of the year	10,465,281	\$ 28,541	10,465,281	\$ 28,403

STOCK OPTION

A summary of the Corporation’s stock option plan as of September 30, 2013, and September 30, 2012 and changes during the periods are presented below:

Stock option	September 30, 2013		September 30, 2012	
	Number of shares	Weighted Average Exercise price	Number of shares	Weighted Average Exercise price
Outstanding and exercisable, beginning of the year	837,000	\$ 5.51	1,168,700	\$ 8.11
Exercised	–	–	64,000	\$ 14.61
Cancelled	5,000	–	267,700	\$ 14.70
Outstanding and exercisable, end of the year	832,000	\$ 5.51	837,000	\$ 5.51
Weighted average contractual life-year	5.44		6.44	
The range of exercise prices	\$ 5.51		\$ 5.51	

Under the stock option plan adopted by the shareholders on April 24, 2007 and renewed on March 26, 2010 and February 24, 2013, the Corporation may grant options to its directors, officers, employees and consultants of the Corporation, subsidiary and affiliated company for up to 20% of the issued and outstanding common shares. The exercise price of the option shall equal the market-trading price of the Corporation's common share on the date of grant. The stock options are fully vested at the time of issue. The fair value of the stock options is determined at the date of grant using the Black-Scholes Model. The assumptions used in determining the fair value of the stock options included estimated risk free interest rate; expected life of the stock options; expected volatility rate of and expected dividend rate. The fair value is recognized as stock compensation expense over the vesting period of the options with a corresponding increase to contributed surplus. Any consideration received by the Corporation on exercise of stock options is credited to share capital as well as the amounts previously credited to contributed surplus for services rendered that were charged to compensation cost.

The weighted average share price at the dates of 64,000 share options exercised in 2012 was \$17.29 per share.

During the year ended September 30, 2013, an officer and director of the Corporation exercised options to purchase 5,000 common shares on a cash settlement alternative basis whereby the Corporation paid to the officer and director an amount of \$ 128,000 representing the in-the-money-value of the options on the dates of exercise (being the difference between the weighted average closing price of the common shares of the Corporation on the dates of exercise and the exercise prices of the options multiplied by the number of common shares exercised on such basis) and cancelled the stock option. The amount paid to the officer and director was recognized as a stock option cash settlement expense in the statement of profit and total comprehensive income.

Key accounting estimates and assumptions

The following are the key accounting estimate and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year;

- i) Significant estimates used in determining the fair value of investment properties include capitalization rates and net operating income. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to Note 5 in the condensed consolidated financial statements for sensitivity analysis;
- ii) Allocation of purchase cost in the acquisition of property, plant and equipment into difference components, estimation of their useful life and impairment on property, plant and equipment; and
- iii) The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax basis values and the future tax rate at which the differences will be realized.

Actual results could differ from estimates.

Transactions with Related Parties

- a) The President and Chief Executive Officer receives commissions at commercial rates in his capacity as a licensed broker for the property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. These commissions are not incurred or paid by the Corporation but rather by the other selling party or parties to the transaction. The commissions received during the year ended September 30, 2013 amounted to \$214,000 (2012 – \$505,000) and formed part of the President and Chief Executive Officer's total remuneration for the year.
- b) The Corporation paid legal and professional fees and reimbursements for the year ended September 30, 2013 amounting to \$200,000 (2012 – \$128,000) to a law firm of which a director and officer of the Corporation is a partner. Professional fees and reimbursements are determined on an exchange value basis. As at September, 2013 the amounts payable to the law firm were \$5,000 (September 30, 2012 – \$NIL).
- c) The Corporation has established a one-time plan to assist its directors, officers and employees in purchasing common shares of the Corporation in October 2005. Total loans – \$80,000 as at September 30, 2013 (September 30, 2012 – \$200,000) – were advanced on October 31, 2005. The loans are determined on an exchange value basis and are interest-free and secured against 100,000 (September 30, 2012 – 100,000) common shares of the Corporation purchased by the participants. The market value of the common shares at September 30, 2013 was \$30.19 (September 30, 2012 – \$31.46) per share. The original payment term of the loan was on October 31, 2009. The payment terms have been revised to 20 quarterly payments effective January 1, 2010. As such, the loan amounts have been treated as a reduction of share capital in the financial statements.

Off Balance Sheet Arrangements

No off balance sheet arrangement was made by the Corporation for the year ended September 30, 2013.

Risk Assessment & Management

Management defines risk as the evaluation of the probability that an event that could negatively affect the financial condition or result of the Corporation may happen in the future. The following section describes specific and general risks that could affect the Corporation. As it is difficult to predict whether any risk will occur or what its related consequences might be, the actual effect of any risk on the business of the Corporation could be materially different than anticipated. The following discussion of risk does not include all possible risks as there may be other risks of which management is currently unaware.

Vacancy Risk

The Corporation is subject to tenant vacancy risk when, in some markets and under certain economic conditions, housing/condominiums are affordable, financing is readily available and interest rates are low, making it easier for renters to become homebuyers. This increases vacancy rates and decreases rental revenue cash flow.

Vacancy rates can also be affected negatively by increased supply of condominium units in major market areas.

The Corporation manages this risk by enhancing customer satisfaction, diversifying its portfolio in different geographic markets in Canada, maintaining its focus on affordable mid-market, multi-family accommodation and advertising, offering competitive market pricing to attract new tenants and rental incentives.

Financial Risk

The Corporation is subject to the financial risk of having unoccupied units during extended periods of renovations. During renovations, these properties are unavailable for occupancy and do not generate income. Mainstreet addresses this risk by acquiring financing to fund renovations and by carrying out a detailed capital expenditures budget to monitor its cash position on a monthly basis.

Interest Risk

Mainstreet is exposed to interest rate risk to the extent of any upward revision in prime lending rates. Mortgages totalling approximately \$96 million are subject to renewal in the next 12 months. Increases in the interest rate have the potential to adversely affect the profitability of the Corporation. However, the Corporation attempts to mitigate this risk by staggering the maturity dates of its mortgages. The majority of Mainstreet's mortgages are insured by Canada Mortgage and Housing Corporation (CMHC) under the National Housing Association (NHA) mortgage program. This added level of insurance offered to lenders allows the Corporation to receive the best possible financing and interest rates, significantly reducing the possibility of a lender calling a loan prematurely.

Utilities Risk

Mainstreet's business is also exposed to fluctuating utility and energy costs such as electricity and natural gas (heating) prices. Currently, utility and energy costs are fairly stable and management continues to monitor the utility and energy market very closely.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants. The Corporation's tenants are numerous, which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of September 30, 2013, rents due from current tenants amounted to \$365,000 (September 30, 2012 – \$539,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$3.5 million (September 30, 2012 – \$2.9 million) and provisions for bad debts of \$100,000 (September 30, 2012 – \$100,000).

In relation to cash, cash equivalents and restricted cash, the Corporation believes that its exposure to credit risk is low. The Corporation places its cash, cash equivalents and restricted cash only with reputable Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages its liquidity risk through cash and debt management.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 105,522	\$ 88,852	\$ 54,445	\$ 31,784	\$ 282,326	\$ 562,929
Bank indebtedness	\$ 2,874	—	—	—	—	\$ 2,874
Trade and other payables	\$ 8,041	—	—	—	—	\$ 8,041
Refundable security deposits	\$ 3,468	—	—	—	—	\$ 3,468

Financing Risk

Mainstreet anticipates that it will make substantial capital expenditures for the acquisition of properties in the future. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Mainstreet. Moreover, future activities may require Mainstreet to alter its capitalization significantly. The inability of Mainstreet to access sufficient capital for its operations could have a material adverse effect on Mainstreet's financial condition, the result of its operations or its overall prospects.

Reliance on Key Employees

Mainstreet's success depends in large measure on certain key executive personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation. Mainstreet does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations are likely to be of central importance. In addition, competition for qualified personnel in the industry is intense, and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Mainstreet.

Income Tax Risk

Mainstreet intends to file all required income tax returns and believes that it will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of Mainstreet, whether by re-characterization and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Economic Uncertainty

The continuing worldwide economic slowdown, stock market uncertainty and international credit crisis could adversely impact the business and the future profitability of the Corporation. During the current period of economic uncertainty, tenants may experience financial difficulty and may default in payment of rent or possibly look for less expensive accommodations. In addition, Mainstreet's ability to obtain financing or renegotiate line of credit financing may be negatively affected by the international credit crisis. The Corporation can predict neither the impact current economic conditions will have on future financial results nor when the general economy will show meaningful improvement.

Risks of Real Property Ownership

Real estate investments and projects are, generally, subject to numerous risks depending on the nature and location of the property that can affect attractiveness and saleability of real estate assets to potential purchasers or other investors, or the owner's use of such real estate assets, all of which are beyond the control of the Corporation. Such risks include:

- the highly competitive nature of the real estate industry;
- changes in general economic conditions (such as the availability and cost to the Corporation's or widespread fluctuations in adjacent property values);

- changes in general or local conditions (such as the supply of competing real estate assets or the possibility of competitive overbuilding or the inability to obtain full occupancy or other usage of any real estate assets);
- governmental regulation, rules or policies (such as increased taxation on the sale of or profits from real property, environmental legislation or municipal approvals for usage, development or subdivision); and
- changes in costs or operating expenses anticipated for real estate assets.

Each segment in the real estate industry is capital intensive and is typically sensitive to interest rates. Any proceeds generated by the sale of real estate assets depend upon general economic conditions and, accordingly, the ability to repay its financing may be affected by changes in those conditions. The Corporation will be required to make certain significant expenditures in respect of their business including, but not limited to, the payment of property taxes, mortgage payments, property management costs, insurance costs and related charges which must be made regardless of whether real estate assets are producing sufficient income to service such expenses. If the Corporation is unable or unwilling to meet the payment obligations on such loans, losses could be sustained as a result of the exercise by the lenders of their rights of foreclosure or sale. As a result, the Corporation's ability to make interest payments or distributions of cash to Mainstreet could be adversely affected.

Market Risks

The economic performance and value of the Corporation's investments in real estate assets will be subject to all of the risks associated with investing in real estate, including, but not limited to:

- changes in the national, regional, state and local economic climates;
- local conditions, including an oversupply of properties or a reduction in demand for properties;
- the attractiveness of all or parts of real estate assets to renters or purchasers;
- competition from other available real estate assets;
- shortage of labour and resulting increased labour costs impacting the timing and cost of renovating properties; and
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

The Corporation's performance will be affected by the supply and demand for property in its geographic area(s) of ownership. Key drivers of demand include employment levels, population growth, demographic rents and consumer confidence. The potential for reduced sales revenue exists in the event that demand diminishes or supply becomes overabundant thereby driving down prices for real estate assets.

Financial Crisis

Global financial and real estate markets experienced dramatic change during 2007 – 2009, which is often referred to as the global credit crisis or "subprime mortgage crisis." The changes to the financial and real estate markets were dramatic and significant in the short term and resulted in tighter credit conditions, slower growth and a downturn in the North American economy. Real estate markets may experience further dramatic changes, which may occur abruptly and unexpectedly. Continued concerns about the systemic impact of inflation, the availability and cost of credit, the real estate market, energy costs and geopolitical issues have contributed to increased market volatility and diminished expectations for the global economy. These conditions, combined with declining business activity levels and consumer confidence, increase unemployment and volatile oil prices, have contributed to unprecedented levels of volatility in the capital markets. If the global market and economic crisis intensifies or continues for a long period, disruptions in the capital and credit markets may adversely affect the business of the Corporation, financial condition and results of operations. In addition, economic circumstances in real estate markets may cause the Corporation to hold real estate assets for a longer than anticipated period of time in order to realize profits from the sale thereof. There can be no guarantee that the Corporation will realize a profit from real estate assets and there is no guarantee that the Corporation will attain its intended results.

Acquisitions Risks

Mainstreet's growth depends in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. It is not possible to manage all risks associated with such acquisitions in the terms and conditions contained in commercial agreements pertaining to such acquisitions. The real estate assets may be subject to unknown, unexpected or undisclosed liabilities that may materially and adversely affect the Corporation's operations and financial condition and results. The representations and warranties, if any, given by arm's length third parties to the

Corporation may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, real estate assets acquired by the Corporation may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

Environmental Matters

Under various environmental laws, ordinances and regulations, the current or previous owner or operator of properties acquired or refinanced by the Corporation, may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such properties. These costs could be substantial. Such laws could impose liability whether or not the Corporation knew of, or was responsible for, the presence of such hazardous or toxic substances.

The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, or restrictions imposed by environmental laws on the manner in which such properties may be operated or developed could adversely affect the Corporation's ability to sell such properties and pay cash distributions and could potentially also result in claims against the Corporation.

Environmental laws provide for sanctions for non compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property or of paying personal injury claims could be substantial and reduce cash distributions to the Corporation.

The Corporation may be subject to liability for undetected pollution or other environmental hazards against which they cannot insure, or against which they may elect not to insure where premium costs are disproportionate to the Corporation's perception of relative risk. Such factors may impact the Corporation's ability to pay cash distributions, which in turn will have an adverse impact on the Corporation.

Renovation Risks

The Corporation is subject to the financial risk of having unoccupied units during extended periods of renovations. During renovations, these properties are unavailable for occupancy and do not generate income. Certain significant expenditures, including property taxes, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing revenue. Delays in the renovation of a building or individual apartment units as a result of labour shortage could delay the renting of such building or units resulting in an increased period of time where the building is not producing revenue, or produces less revenue than a fully tenanted building. As the Corporation intends to source labour from other countries and renovation supplies directly from manufacturers in China and elsewhere, the Corporation will be subject to related immigration expenses and shipping risks, which may result in unexpected costs or delays. The Corporation intends to address these risks by acquiring financing to fund renovations, staggering renovations and by carrying out a detailed capital expenditures budget to monitor its cash position on a monthly basis.

Uninsured Losses

The Corporation carries comprehensive general liability, fire, flood, earthquake, tornado, natural disaster, extended coverage, rental loss and vacancy insurance with policy specifications, limits and deductibles customarily carried for similar properties. However, there are certain types of risks, generally of a catastrophic nature, such as wars, terrorist attacks or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, the Corporation could lose its investment in, and anticipated profits and cash flows from one or more of its properties, but would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

From time to time the Corporation may be subject to lawsuits as a result of the nature of its business. The Corporation intends to maintain business and property insurance policies in amounts and with such coverage and deductibles as are deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. However, there can be no assurance that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the Corporation that is not covered by, or in excess of, the Corporation's insurance

could materially affect such entity's operating results and financial condition, which would have an adverse effect on Corporation. Claims against the Corporation, regardless of their merit or eventual outcome, will require the Corporation's management to devote time to matters unrelated to the operation of the business. To the extent possible the Corporation intends to minimize these risks by creating and operating separates the Corporation for each separate property to be acquired.

Substitutions for Residential Rental Units

Demand for the residential rental properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crisis and its impact on the United States and other credit markets, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. A reduction in the demand for rental properties may have a material adverse effect on the Corporation's ability to lease suites and on the rents charged. This, in turn, may have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations.

Litigation Risks

In the normal course of the Corporation's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceeding, the proceedings could be costly and time consuming and may divert the attention of management and key personnel from the Corporation's business operations, which could have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations and ability to make dividends to shareholders.

Rent Control

The Corporation may be subject to legislation that exists or is enacted in certain jurisdictions, which restricts the right of landlords to increase rents charged to tenants. As a result, the inability to adjust rents to address higher operating costs or to improve margins on certain properties may have an adverse effect on the returns available from such properties.

Subsequent events

Subsequent to September 30, 2013, the Corporation acquired one property consisting of 29 units of residential apartments in Calgary, AB for total consideration of \$3 million.

The Corporation has disposed of the remaining property in Ontario for consideration of approximately \$22 million. The disposition is expected to close by the end of January, 2014.

CHALLENGES

Mainstreet has witnessed a 100-basis point interest rate increase over the past six months. Such change impacts the savings the Corporation can achieve by refinancing mortgage rates, as well as its ability to liberate additional capital through this process. Relative to norms in recent decades, however, mortgage rates remain at advantageous levels, and the CMHC expects them to "remain historically low."

Mainstreet's add-value business model carries other inherent hurdles. The process of renovating and repositioning properties leads to higher overall vacancy rates and constitutes a drag on stabilized NOI. This is intensified in areas of highest growth, like in Edmonton, 35% of its portfolio is unstabilized, even if those conversely provide the greatest opportunity for Mainstreet.

At the same time, the process of rebuilding from floods in southern Alberta stands to add to demand for skilled labour that is already under significant pressure in Western Canada. Saskatchewan and Alberta boast Canada's lowest unemployment rates, even as their need for workers grows by tens of thousands every year. The Alberta government expects a 1.7% average annual growth in occupational demand between 2013 and 2017, with demand for workers in construction-related trades growing above this average.

OUTLOOK: FOUR POTENT ENGINES FOR GROWTH

Market Forces

Management believes there are few better places in Canada to own residential rental property than British Columbia, Alberta and Saskatchewan, the places Mainstreet calls home. In 2013, Alberta experienced record in-migration, with its population growing at a faster rate even than Ontario, a much larger province. This is historically significant. In 2013, Alberta is expected to add 95,600 people, with another nearly 68,100 arriving in 2014, according to the CMHC. At the same time, numbers of temporary foreign workers are soaring, rising above 15,000 in the second quarter of 2013, roughly double the number a year earlier. Mainstreet believes that the influx of new arrivals will continue to apply positive demand for the rental housing stock, particularly since construction of new multi-family residences remains well off its 2007 peak in the province. Based on CMHC marketing reports, Alberta GDP growth of 2.7% in 2012 is expected to be followed by a 2.8% economic expansion in 2013 and a further 2.3% in 2014.

Combined, these factors underscore the value of Mainstreet's position in the western provinces, where growth in people and the economy is expected to push increases in rent, revenue and NOI. To say the least, Management firmly believes that Mainstreet is in the right market. Geography is the first growth engine.

Organic Growth

Organic NOI growth is the second. At fiscal year-end, only approximately 78% of Mainstreet's existing portfolio had been stabilized. The difference between the financial performance of stabilized and unstabilized properties is significant. At an unstabilized property, high vacancy rates coupled with high bad debt and low rental rates diminish NOI. That NOI rises substantially once the property is stabilized. In this fixed cost business, every incremental boost to rental revenue directly increases Mainstreet's bottom line. This is the major factor underlying Mainstreet's strong potential for organic growth in NOI and FFO, which Management expects to ultimately result in increased value for its existing portfolio.

Reduction in interest rate

Mainstreet continued ability to leverage favourable financing is a third source of growth. Interest rates remain at near historic low levels, despite an upward movement of approximately 100 basis points in the past six months. Mainstreet has approximately \$178 million in debt maturing in 2014 and 2015, with an average current interest rate of 4.35%. Relative to the current CMHC 10-year mortgage rate of approximately 3.8%, Management expects to achieve a substantial savings in interest expenses through refinancing. Management also believes this will serve to increase Mainstreet's FFO.

Resources available for further growth

Acquisitions fuel the Corporation's fourth and most powerful NOI growth engine. With decades of experience in Western Canada, Mainstreet believes it has an intimate knowledge of the market few can match. This allows the Corporation to pursue properties in the mid-market with add value potential. Management believes Mainstreet's substantial liquidity also positions it for further portfolio growth in these healthy geographic markets. As of year-end, Mainstreet owned 30 clear title properties with a combined market value of approximately \$95 million, a source for substantial funds that can be raised through financing. Following its expected refinancing of \$178 million in debt maturing in 2014 and 2015, Management expects substantial additional funds can be raised. Management believes that Mainstreet's strong liquidity position will once again allow it to continue to expand without diluting shareholder equity.

ADDITIONAL INFORMATION

Additional information about Mainstreet is available at mainst.biz and www.sedar.com. The annual information form of the Corporation for the year ended September 30, 2013, was filed on SEDAR.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$000s of Canadian dollars)

September 30	2013	2012
Assets		
Non-current assets		
Investment properties [Note 5]	\$ 1,127,695	\$ 982,565
Property, plant and equipment [Note 6]	4,792	4,508
Mortgage receivable [Note 10]	2,500	–
	1,134,987	987,073
Current assets		
Prepaid assets [Note 7]	977	1,099
Trade and other receivables [Note 8]	1,466	1,115
Restricted cash	2,797	2,232
Inventory [Note 9]	306	157
Cash and cash equivalents	1,825	2,205
Assets classified as held for sale [Note 4]	22,083	69,350
	29,454	76,158
Total Assets	\$ 1,164,441	\$ 1,063,231
Liabilities		
Non-current liabilities		
Mortgage payable [Note 11]	\$ 450,262	\$ 398,780
Deferred tax liabilities [Note 12]	82,155	66,466
	532,417	465,246
Current liabilities		
Mortgage payable [Note 11]	104,354	74,450
Trade and other payables [Note 13]	8,041	4,207
Refundable security deposits [Note 14]	3,468	2,903
Bank indebtedness [Note 15]	2,874	37,762
Liabilities classified as held for sale [Note 4]	16,916	45,688
	135,653	165,010
Total Liabilities	668,070	630,256
Equity		
Share capital [Note 16]	28,541	28,403
Contributed surplus	2,418	2,436
Retained earnings	465,412	402,136
Total Equity	496,371	432,975
Total Liabilities and Equity	\$ 1,164,441	\$ 1,063,231

See accompanying notes to these consolidated financial statements

(SIGNED)

(SIGNED)

“Bob Dhillon”
Director

December 11, 2013

“Joe Amantea”
Director

CONSOLIDATED STATEMENTS OF NET PROFIT AND TOTAL COMPREHENSIVE INCOME

(\$000s of Canadian dollars, except per share amounts)

Year ended September 30	2013	2012
Rental revenue	\$ 76,958	\$ 65,881
Ancillary rental income	1,232	944
	78,190	66,825
Property operating expenses	26,157	21,920
Net operating income	52,033	44,905
Interest income	31	25
	52,064	44,930
Mortgage interest	23,163	21,531
Amortization of financing cost	1,751	1,746
General and administrative expenses	8,011	6,717
Depreciation	308	233
	33,233	30,227
Profit from continuing operations before other items and income tax expense	18,831	14,703
Fair value gains [Note 5]	59,472	46,909
Loss on disposal of investment properties	–	(766)
Stock option cash settlement expenses [Note 18]	(128)	(2,017)
Profit before income tax expense	78,175	58,829
Income tax expense [Note 12]	15,689	8,849
Profit from continuing operations	62,486	49,980
Profit on discontinued operations (net of income tax recovery of 2013 – \$3,439, income tax expense of 2012–\$1,903) [Note 4]	790	6,071
Net profit and total comprehensive income	\$ 63,276	\$ 56,051
Profit per share [Note 17]		
– basic from continuing operations	\$ 5.97	\$ 4.79
– basic from discontinued operations	\$ 0.08	\$ 0.58
– diluted from continuing operations	\$ 5.60	\$ 4.50
– diluted from discontinued operations	\$ 0.07	\$ 0.55

See accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(\$000s of Canadian dollars)

		Share Capital	Retained Earnings	Contributed Surplus	Total Shareholders Equity
Balance, September 30, 2011	\$	26,762	\$ 346,085	\$ 3,096	\$ 375,943
Share purchase loan		46	—	—	46
Transfer from contributed surplus		660	—	(660)	—
Exercise of Stock option		935	—	—	935
Profit for the year		—	56,051	—	56,051
Balance, September 30, 2012	\$	28,403	\$ 402,136	\$ 2,436	\$ 432,975
Balance, September 30, 2012	\$	28,403	\$ 402,136	\$ 2,436	\$ 432,975
Share purchase loan		120	—	—	120
Transfer from contributed surplus		18	—	(18)	—
Exercise of Stock option		—	—	—	—
Profit for the period		—	63,276	—	63,276
Balance, September 30, 2013	\$	28,541	\$ 465,412	\$ 2,418	\$ 496,371

See accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000s of Canadian dollars)

Year ended September 30	2013	2012
Cash obtained from (used in) operating activities		
Profit from continuing operations	\$ 62,486	\$ 56,051
Items not affecting cash		
Loss on disposal of property	–	766
Amortization of financing cost	1,751	1,900
Depreciation	308	236
Fair value gains	(59,472)	(54,021)
Deferred tax	15,689	10,752
	20,762	15,684
Change in working capital		
Prepaid assets	123	–
Trade and other receivables	(351)	1,434
Inventory	(149)	(157)
Restricted cash	(565)	(414)
Trade and other payables	3,834	516
Refundable security deposits	565	299
Cash from operating activities	24,219	17,362
Financing activities		
Bank indebtedness	(34,889)	32,585
Financing of investment properties	112,355	64,581
Repayment of mortgage payables	(70,246)	(38,033)
Proceeds from shares purchase loan	120	47
Exercise of stock option	–	935
Cash from financing activities	7,340	60,115
Investing activities		
Purchase of and additions to investment properties [Note 5]	(48,132)	(76,956)
Purchase of and additions to property, plant and equipment	(592)	(416)
Proceeds on disposal of investment properties	–	934
Mortgage receivable	(2,500)	–
Cash used in investing activities	(51,224)	(76,438)
Decrease in cashflow from continuing operations	(19,665)	(3,314)
Increase in cashflow from discontinued operations [Note 4]	19,285	4,353
Net (decrease) increase in cash and cash equivalents	(380)	1,039
Cash and cash equivalents, beginning of year	2,205	1,166
Cash and cash equivalents, end of year	\$ 1,825	\$ 2,205
Cash and cash equivalents are comprised:		
Cash	1,771	1,668
Short-term deposits	54	537
	\$ 1,825	\$ 2,205
Income taxes paid	–	–
Interest paid	\$ 23,247	\$ 23,150

See accompanying notes to these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2013 and 2012

(Thousands of Canadian dollars, except share and per share amounts and amounts within narrative)

1. GENERAL

Mainstreet Equity Corp. (the "Corporation") is a Canadian real estate corporation focused on acquiring and managing mid-market residential rental apartment buildings in major markets primarily in western Canada. The registered office and head office of the Corporation are located at 1413 – 2nd Street SW Calgary, Alberta T2R 0W7 and 305 – 10th Avenue SE Calgary, Alberta T2G 0W2, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The consolidated financial statements of the Corporation have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by CICA.

b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value. The consolidated financial statements are prepared on a going concern basis and have been prepared in Canadian dollars rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects.

c) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned controlled subsidiary, Mainstreet Equity USA Corp. All inter-company transactions, balances, revenue and expenses have been eliminated on consolidation.

d) Revenue recognition

Rental revenue from an investment property is recognized when a tenant begins occupancy of a rental unit and rent is due. Any rental incentive offered is amortized over term of the tenancy lease. All residential leases are for one-year terms or less and the Corporation retains all of the benefits and risks of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases.

Gain or loss from the sale of investment properties is recognized when the title passes to the purchaser and all or substantially all of the sale proceeds are receivable.

Ancillary rental income comprises income from laundry machines, income from telephone and cable providers and other miscellaneous income and is recognized as earned.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and applicable effective interest rates.

e) Investment properties

Investment properties include multi-family residential properties held to earn rental income and are initially measured at cost. Cost includes purchase price, any direct attributable expenditure related to the acquisition (excluding transaction costs related to a business combination) and improvement of the properties. All costs associated with upgrading the quality and extending the economic life of the investment properties are capitalized as additional cost of investment properties.

Subsequent to initial recognition, investment properties are recorded at fair value, determined based on valuations performed by independent third party qualified appraisers or available market evidence, in accordance with International Accounting Standards ("IAS") 40-Investment Property ("IAS 40"). Fair value is determined based on a combination of internal and external processes. Gains and losses arising from differences between current period fair value and the sum of previous measured fair value and capitalized costs as described above are recorded in profit and loss in the period in which they arise.

The fair values of investment properties are re-assessed annually by independent third party qualified appraisers for the Corporation's annual financial reporting. In addition, the Corporation has established an internal valuation model, which is based on the estimated changes in market conditions of the underlying assumptions used since the last annual appraisal to determine

the fair value of investment properties for its interim reporting periods. Estimated changes in market conditions of the underlying assumptions for interim periods are assessed by the independent third party qualified appraisers who performed the annual fair value assessments.

Investment properties are reclassified to 'Non-Current Assets held for sale' when the criteria set out in IFRS 5- Non-Current Assets Held for Sale and Discontinued Operations ("IFRS 5") are met.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value is adjusted to reflect the fair value as outlined in the purchase and sale agreement. This adjustment shall be recorded as a fair value gain (loss). Any remaining gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Excess land

Excess land represents land owned by the Corporation located contiguous to land included as investment property. The Corporation has the ability to develop additional multi-family residential buildings on this land or sell it separately from the investment property at a later date. Excess land is held for capital appreciation, therefore treated as Investment Property and recorded in accordance with IAS 40 as outlined above.

f) Business combination

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 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, 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, are recorded as an asset addition based on the purchase price.

The acquisition method requires that an acquirer be identified, a specific acquisition date be determined, all identifiable assets and liabilities assumed, as well as any non-controlling interest in the acquiree, be recognized and measured, and any goodwill or gains from a bargain purchase price are recognized and measured at fair value. All acquisition costs associated with a transaction, identified as a business combination, are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amount of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interests in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain price gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other IFRS.

When the consideration transferred by the Corporation in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred on a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurements period adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date and is shortened than one year if all information is received) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liabilities is remeasured at subsequent reporting dates in accordance with IAS 39-Financial Instruments: Recognition and Measurement, or IAS 37-Provision, Contingent Liabilities and Contingent Assets ("IAS37"), as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Corporation's previously held equity interest is the equity interest in the acquiree remeasured to fair value at the acquisition date (i.e. the date when the Corporation obtained control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized on other comprehensive income are reclassified to profit and loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports provisional amounts for the items for which the accounting is incomplete. Those provision amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known would have affected the amounts recognized at that date.

g) Non-current assets held for sale

Non-current assets held for sale include assets or groups of assets and liabilities ("disposal groups") that are available for sale in their present condition and the sale is highly probable and expected to be completed within one year from the date of classification. The Corporation also purchases properties with the intention of selling the property within a pre-determined period of time. The property is classified as an asset held for sale if the disposal is expected to take place within one year of the acquisition. The gains or losses arising on a sale of assets or group of assets that does not meet the definition of discontinued operations will be recognized as part of continuing operations.

h) Discontinued operations

The operating results of 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 it is classified as non-current assets 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. Profit 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 asset (or disposal groups) and are presented in the 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 does not constitute a major line of business, individual building sales are not treated as discontinued operations.

i) Property, plant and equipment

Tangible assets that are held for use in the production or supply of goods and services, for rent to others, or for administrative purposes and are expected to be used during more than one period, except when other accounting standards requires or permits a different accounting treatment, these are recorded using the cost model in accordance with IAS 16 – Property, Plant and Equipment ("IAS16") which requires, after initial recognition that the tangible assets be carried at their costs less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized in a manner that reflects the pattern in which the future economic benefits of the assets are expected to be realized and consumed by the Corporation. IAS 16 also requires that the cost and useful economic life of each significant component of a depreciable real estate property be determined based on the circumstances of each property.

Property, plant and equipment are amortized at rates designed to amortize the cost of the properties over their estimated useful lives as follows:

Admin. building	over the estimated useful lives, not exceeding 40 years – straight line
Building improvements	20%-40% – declining balance
Equipment	4% to 30% – declining balance
Furniture	20% – declining balance
Vehicle	40% – declining balance
Computer	30% – declining balance

The method of depreciation and estimated useful lives of property, plant and equipment are periodically evaluated by management and any changes are accounted for as a change in accounting estimates in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS8").

j) Impairment of assets

All assets, except for those identified as not within the scope of IAS 36-Impairment of Assets ("IAS36") are assessed for indications of impairment at the end of each financial reporting period. Should an indication of impairment exist, the recoverable amount of the asset is estimated. The recoverable amount is defined in IAS 36 as the higher of an asset's fair value less cost to sell 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 statement of comprehensive income and the remaining useful life of the assets will be re-assessed. Should this impairment loss be determined to have reversed in a future period, a reversal of the impairment loss is recorded in profit or loss. However, in accordance with IAS 36, the reversal of an impairment loss will not increase the carrying value of the assets to a value greater than its original carrying value (net of amortization).

k) Income taxes

Income taxes include current and deferred income taxes.

Current tax is the expected tax payable or receivable in the taxable profit or loss for the current reporting period and any adjustment in respect of previous periods. Taxable profit differs from profit as reported in the statement of profit and total comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates used in calculating current income tax have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognized for all taxable temporary differences between the carrying amounts of assets and liabilities and the amounts used for income tax purposes, carry forward unused tax credits and unused tax losses to the extent that it is probable that deduction, tax credits and tax losses can be utilized and at the tax rates that are estimated to be applied to temporary differences when they reverse. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

l) Provision

Provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events and 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 expenditure expected to be required to settle the obligation using a discounted rate that reflects current market assessment of the time value of money and the risks and uncertainties specific to the obligation. Provisions are re-measured at each reporting date using a current and relevant discount rate. The increase in the provision due to the passage of time is recognized as a financing cost.

m) Financial instruments

Financial instruments are initially recognized at fair values. Transactions costs that directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss, which are recognized immediately in profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories, which are defined and measured as follows:

Classification	Definition	Measurement
Financial assets at fair value through profit or loss ("FVTPL")	<p>Either held for trading or designated as at FVTPL as discussed below:</p> <ul style="list-style-type: none">– Classified as held for trading if it has been acquired principally for the purpose of selling it in the near future term, or on initial recognition it is part of portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.– Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	<p>Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.</p> <p>Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.</p>
Held-to-maturity	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity.	Measured at amortized cost using the effective interest rate method less impairment (see footnote 1 and 2).
Available for sale	Non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivable, (b) held-to-maturity investments or (c) financial assets at FVTPL.	Measured at fair value through other comprehensive income.
Loans and receivable	Non-derivative financial assets with fixed determinable payments that are not quoted in an active market.	Measured at amortized cost using the effective interest rate method less any impairment. (See footnote 1 and 2).

(1) The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(2) Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

The Corporation's financial assets are as follows:

Financial assets	Classification	Measurement
Mortgage receivables	Loans and receivable	Amortized cost
Trade and other receivables	Loans and receivable	Amortized cost
Restricted cash	Loans and receivable	Amortized cost
Cash and cash equivalents	Loans and receivable	Amortized cost

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the assets to another entity or when the carrying value is reduced by impairment loss.

Financial liabilities

Financial liabilities are classified into the following specified categories which are defined and measured as follows:

FVTPL	<p>Either held for trading or designated as at FVTPL as discussed below:</p> <ul style="list-style-type: none"> – Classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near future term, or on initial recognition, it is part of portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument. – Classified as FVTPL upon initial recognition if : such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liabilities form part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives. 	<p>Fair value</p> <p>Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.</p> <p>Stated at fair value, with gains or losses arising in measurement recognized in profit or loss.</p>
Other financial liabilities	All other liabilities	Measured at amortized cost using the effective interest rate method-(see foot note 1).

(1) The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimates future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Corporation's financial liabilities are as follows:

Financial liabilities	Classification	Measurement
Mortgage payables	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Refundable security deposits	Other financial liabilities	Amortized cost

The Corporation derecognizes a financial liability when the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term interest bearing deposits with an original maturity date of 90 days or less.

o) Stock option plan

The Corporation has a stock option plan, which is described in Note 18.

The fair value of the stock options is determined at the date of grant using the Black-Scholes Model. The assumptions used in determining the fair value of the stock options included estimated risk free interest rate; expected life of the stock options; expected volatility rate and expected dividend rate. The fair value is recognized as stock compensation expense over the vesting period of the options with a corresponding increase to contributed surplus. Any consideration received by the Corporation on exercise of stock options is credited to share capital as well as the amounts previously credited to contributed surplus for services rendered that were charged to compensation cost.

For stock options of which the holders have the intent to exercise the options by selecting cash settlement, those stock options will be classified as liabilities instead of equity in the financial statement and measured at fair value.

p) Earnings per share

Basic earnings per share are calculated based on the weighted average number of shares outstanding. Diluted earnings per share reflect the possible dilutive effect of the exercise of the options outstanding as at the balance sheet date. The dilutive effect of outstanding share purchase options is computed using the "treasury stock" method whereby the proceeds that would be received from the exercise of options are assumed to be used to repurchase outstanding shares of the Corporation.

q) Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 2(r) below) that has been made in applying the Corporation's accounting policies that have the most significant effect on the reported amounts in the financial statements:

- i) Determining the extent and frequency of engaging independent, third party appraisals and establishing an internal valuation model to measure fair value of investment properties;
- ii) Determining a classification between investment properties and property, plant and equipment for the administrative building; and
- iii) Determining the tax rate applicable to the Corporation's current and deferred income taxes and identifying the temporary differences in respect of which deferred income taxes are recognized.

r) Key accounting estimates and assumptions

The following are the key accounting estimate and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- i) Significant estimates used in determining the fair value of investment properties include capitalization rates and net operating income. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to Note 5 for sensitivity analysis;
- ii) Allocation of purchase cost in the acquisition of property, plant and equipment into difference components, estimation of their useful life and impairment on property, plant and equipment; and
- iii) The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax bases values and the future income tax rate at which these differences will be realized.

Actual results could differ from estimates.

3. FUTURE ACCOUNTING POLICIES

Certain new IFRSs which are related to accounting periods beginning January 1, 2013 or later are not expected to have a significant effect on the consolidated financial statement.

IFRS 7 – Financial Instruments: Disclosures

The amendments require disclosure of information about recognized financial instruments subject to all financial instruments that are set off in accordance with IAS32.42 and for financial assets that are subject to an enforceable master netting arrangements and similar arrangements. The amendments are to be applied retrospectively for periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Corporation is currently evaluating the impact of the amendments on its financial statements.

IFRS 9 – Financial Instruments

The amendments require all recognized financial assets that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The Corporation is currently evaluating the impact of the amendments on its financial statements.

IFRS 10 – Consolidated Financial Statements-effective January 1, 2013

The amendments eliminate the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding or potential voting rights. This standard is required to be applied for accounting periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact of IFRS 10 on its financial statements.

IAS 27 was revised in May 2011 and was revised to eliminate the principles of consolidation from IAS 27 (as they are now included in IFRS 10) and focus on requirements related to disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Corporation does not expect these amendments to have a significant impact on its financial statements.

IFRS 11 – Joint Arrangements-effective January 1, 2013

The amendments redefine joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation does not expect this standard to have a significant impact on its financial statements.

Investments in Associates and Joint Ventures ("IAS 28") was revised in May 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation does not expect these amendments to have a significant impact on its financial statements.

IFRS 12 – Disclosure of Interests in Other Entities -effective January 1, 2013

The amendments require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation does not expect these amendments to have a significant impact on its financial statements.

IFRS 13-Fair Value Measurement –effective 1 January 2013

The amendments provide a single framework for measuring fair value and are applicable for both financial and non-financial items and also require enhanced disclosure on fair value measurements. The standard requires retrospective application from the beginning of the annual period in which it is adopted. The Corporation is currently evaluating the impact of the amendments on its financial statements.

IAS 19-Employee Benefits –effective 1 January 2013

The amendments require the changes in defined benefit obligations are recognized as they occur, eliminating the corridor approach and accelerating the recognition of past service costs. The changes in defined benefit obligation and plan assets are to be disaggregated into three components; service costs, net interest on the net defined benefit liabilities (assets) and re-measurement of the net defined benefit liabilities (assets). The Corporation does not expect these amendments to have a significant impact on its financial statements.

4. DISCONTINUED OPERATIONS

In 2012, four properties in the Ontario segment were presented as a disposal group held for sale following management's decision to dispose of the entire segment and focus its business in Western Canada. On January 23, 2013, three out of the four properties in Ontario have been disposed for the consideration of \$47 million and incurred a loss on disposal of \$666,000. At September 30, 2013, the disposal group comprised assets approximately of \$22 million and liabilities of \$17 million.

Assets classified as held for sale

September 30	2013	2012
Investment properties	\$ 21,850	\$ 68,985
Property, plant and equipment	5	7
Prepaid assets	197	252
Trade and other receivables	31	106
Balance, end of year	\$ 22,083	\$ 69,350

Liabilities classified as held for sale

September 30	2013	2012
Non-current mortgage payable	\$ 14,716	\$ 36,690
Deferred tax liabilities	1,323	4,762
Current mortgage payable	440	3,281
Trade and other payables	437	955
Balance, end of year	\$ 16,916	\$ 45,688

Results of discontinued operations

Year ended September 30,	2013	2012
Rental revenue	\$ 4,185	\$ 7,364
Ancillary rental income	130	268
	4,315	7,632
Property operating expenses	2,290	3,882
Net operating income	2,025	3,750
Interest income	19	–
	2,044	3,750
Mortgage interest	988	1,803
Amortization of financing cost	332	154
General and administrative expenses	661	928
Depreciation	2	3
	1,983	2,888
Profit from discontinued operations before fair value (losses) gains and loss on disposition and income tax expense	61	862
Loss on disposition	(666)	–
Fair value (losses) gains	(2,044)	7,112
(Loss) profit before income tax expense	(2,649)	7,974
Income tax (recovery) expense	(3,439)	1,903
Profit from discontinued operation (net of tax)	\$ 790	\$ 6,071
Basic profit per share	\$ 0.08	\$ 0.58
Diluted profit per share	\$ 0.07	\$ 0.55

Cash flows from discontinued operations

Year ended September 30,	2013	2012
Net cash (used in) from operating activities	\$ (909)	\$ 942
Net cash (used in) from financing activities	(799)	4,484
Net cash from (used in) investing activities	20,993	(1,073)
Net cash from discontinued operations	\$ 19,285	\$ 4,353

5. INVESTMENT PROPERTIES

September 30	2013	2012
Balance, beginning of year	\$ 982,565	\$ 907,835
Additions	74,940	81,924
Building improvements	10,718	9,470
Disposition	–	(1,700)
Fair value gains	59,472	54,021
Assets classified as held for sale (Note 4)	–	(68,985)
Balance, end of year	\$ 1,127,695	\$ 982,565

The fair value of investment properties held by the Corporation as of September 30, 2013, was determined by independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in relevant locations. The direct capitalization method was used to convert an estimate of a single year's income (net operating income) expectancy into an indication of value in one direct step by dividing the income (net operating income) estimated by an appropriate capitalization rate. The appraisers also assessed the market conditions of the underlying assumptions used for the fair value assessments and estimated the fair value of the investment properties as at September 30, 2013.

The fair value of Mainstreet's investment properties as of September 30, 2013, was determined by the following qualified appraisers:

Location	Appraiser Name	Qualification	Firm
Vancouver/Lower Mainland (Abbotsford & Surrey)	James Glen	AACI, P.App.	Colliers International
Calgary & Edmonton	Calgary – Tom Hewitt Edmonton – Andrew Bui, Alison Klippenstein	AACI, P.App.	Colliers International
Saskatoon	Tom Hewitt	AACI, P. App.	Colliers International
Greater Toronto Area	Demetri Andros	AACI, P. App.	Colliers International

The average capitalization rates used in determining the fair value of investment properties are set out below:

September 30	2013	2012
Surrey, BC	5.46%	5.65%
Abbotsford, BC	5.29%	5.64%
Calgary, AB	4.88%	5.06%
Edmonton, AB	5.79%	5.92%
Saskatoon, SK	6.90%	7.50%
Investment properties	5.53%	5.72%
Asset classified as held for sale – Greater Toronto Area, ON	6.18%	5.48%

The direct capitalization method requires that an estimated forecasted net operating income ("NOI") be divided by a capitalization rate ("Cap Rate") to determine a fair value. As such changes in both NOI and Cap Rate would significantly alter the fair value of investment properties. The tables below set out the impact of changes in both NOI and Cap Rate on the Corporation's fair values.

September 30, 2013

Net operating income	-3%	-1%	As estimated	+1%	+3%
	\$ 60,457	\$ 61,704	\$ 62,327	\$ 62,950	\$ 64,197
Capitalization rate					
-0.25%	5.28%	\$ 17,328	\$ 40,936	\$ 52,741	\$ 64,545
Cap rate used	5.53%	\$ (34,437)	\$ (11,895)	\$ 1,127,695	\$ 10,646
+0.25%	5.78%	\$ (81,723)	\$ (60,156)	\$ (49,373)	\$ (38,590)
		\$ (17,024)			

As at September 30, 2012

Net operating income		-3%	-1%	As estimated	+1%	+3%
		\$ 55,171	\$ 56,308	\$ 56,877	\$ 57,446	\$ 58,583
Capitalization rate						
-0.25%	5.47%	\$ 26,040	\$ 46,836	\$ 57,234	\$ 67,632	\$ 88,428
Cap rate used	5.72%	\$ (18,042)	\$ 1,845	\$ 982,565	\$ 27,732	\$ 41,619
+0.25%	5.97%	\$ (58,433)	\$ (39,379)	\$ (29,851)	\$ (20,324)	\$ (1,270)

The fair value of the property in Ontario included in assets classified as held for sale as at September 30, 2013 was determined by the selling prices offered by the potential buyer. As at September 30, 2012 the fair value of the properties in Ontario included in assets classified as held for sale were determined by the selling price with the exemption of one property which was determined by independent qualified real estate appraisers.

Investment properties with a fair value of \$1,071 million (September 30, 2012 – \$935 million) are pledged as security against the Corporation's mortgages payable.

Investment properties with a fair value of \$61 million (September 30, 2012 – \$59 million) are pledged as security against the Corporation's operating line of credit to the extent of \$20 million (note 15).

For the year ended September 30, 2013, investment properties earned rental income (excluding ancillary rental income) of \$77 million (2012 – \$65 million) from continued operations, respectively.

For the year ended September 30, 2013, operating expenses relating to investment properties were \$26 million (2012 – \$22 million) from continued operations, respectively.

6. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of property, plant and equipment were as follows:

	September 30, 2013			September 30, 2012		
	Cost	Accum. Deprec.	Net book value	Cost	Accum. Deprec.	Net book value
Admin. building	\$ 4,353	\$ 276	\$ 4,077	\$ 4,190	\$ 158	\$ 4,032
Equipment	\$ 62	\$ 23	\$ 39	\$ 60	\$ 13	\$ 47
Furniture	\$ 182	\$ 56	\$ 126	\$ 139	\$ 28	\$ 111
Vehicles	\$ 165	\$ 41	\$ 124	\$ 37	\$ 12	\$ 25
Computer	\$ 1,305	\$ 874	\$ 431	\$ 1,051	\$ 751	\$ 300
Assets classified as held for sale	\$ (23)	\$ (18)	\$ (5)	\$ (23)	\$ (16)	\$ (7)
	\$ 6,044	\$ 1,252	\$ 4,792	\$ 5,454	\$ 946	\$ 4,508

The change of the carrying amount of the property, plant and equipment for the year ended September 30, 2013 was as follows:

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Admin. building	\$ 4,032	\$ 164	\$ –	\$ (120)	\$ 4,076
Equipment	\$ 47	\$ 3	\$ –	\$ (10)	\$ 40
Furniture	\$ 111	\$ 43	\$ –	\$ (26)	\$ 128
Vehicles	\$ 25	\$ 128	\$ –	\$ (30)	\$ 123
Computer	\$ 300	\$ 254	\$ –	\$ (124)	\$ 430
Assets classified as held for sale	\$ (7)	\$ –	\$ –	\$ 2	\$ (5)
	\$ 4,508	\$ 592	\$ –	\$ (308)	\$ 4,792

The change of the carrying amount of the property, plant and equipment for the year ended September 30, 2012 was as follows:

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Admin. building	\$ 3,949	\$ 184	\$ –	\$ (101)	\$ 4,032
Equipment	\$ 37	\$ 18	\$ –	\$ (8)	\$ 47
Furniture	\$ 85	\$ 47	\$ –	\$ (21)	\$ 111
Vehicles	\$ 25	\$ 11	\$ –	\$ (11)	\$ 25
Computer	\$ 239	\$ 157	\$ –	\$ (96)	\$ 300
Assets classified as held for sale	\$ –	\$ –	\$ (10)	\$ 3	\$ (7)
	\$ 4,335	\$ 417	\$ (10)	\$ (234)	\$ 4,508

The administration building was pledged as security against the Corporation's operating line of credit to the extent of \$20 million (note 15).

7. PREPAID ASSETS

Prepaid assets comprise prepaid expenses and utility deposits:

September 30	2013	2012
Prepaid expenses	\$ 956	\$ 1,054
Utility deposits	\$ 21	\$ 45
	\$ 977	\$ 1,099

8. TRADE AND OTHER RECEIVABLES

Trade receivables comprise amounts due from tenants and other receivables comprise mortgage hold back and refundable mortgage commitment fees:

September 30	2013	2012
Trade receivables	\$ 334	\$ 505
Other receivables	\$ 1,132	\$ 610
	\$ 1,466	\$ 1,115

9. INVENTORY

Inventories are measured at the lower of cost and net realizable value.

September 30	2013	2012
Inventory	\$ 306	\$ 157
	\$ 306	\$ 157

10. MORTGAGE RECEIVABLE

Mortgage receivable represented a vendor-take-back loan of \$2.5 million (September 30, 2012 – \$NIL) on one of the disposed properties in Ontario. The loan is secured by the said property, bears interest at a rate of 3% per annum, interest payments only until maturity and maturing on June 1, 2016.

11. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 4.17% (2012 – 4.35%) per annum and are payable in monthly principal and interest installments totaling \$2.9 million (2012 – \$2.7 million), maturing from 2014 to 2023 and are secured by specific charges against specific investment properties, having a fair value of \$1,093 million (September 30, 2012 – \$935 million).

September 30	2013	2012
Non-current	\$ 450,262	\$ 398,780
Current	104,354	74,450
	\$ 554,616	\$ 473,230

Estimated principal payments required to retire the mortgage obligations as of September 30, 2013 are as follows:

12 months ending September 30	Amount
2014	\$ 105,522
2015	88,852
2016	54,445
2017	31,784
2018	32,436
Subsequent	249,890
	562,929
Deferred financing cost	(8,313)
	<u>\$ 554,616</u>

12. INCOME TAX EXPENSE

Income tax expense comprise:

Year ended September 30	2013	2012
Deferred	\$ 15,689	\$ 8,849

No current or deferred income taxes were recognized in equity for the years ended September 30, 2013 and 2012. The income tax expense differs from the results that would be obtained by applying the combined federal and provincial income tax rate to income before income taxes. Non taxable income includes the non taxable portion of capital gains. This difference results from the following:

Year ended September 30	2013	2012
Profit before income tax	\$ 78,175	\$ 58,829
Non taxable income/(expenses)	\$ 29,618	\$ 16,852
	\$ 48,557	\$ 41,977
Statutory tax rate	25.26%	25.69%
Computed expected tax	\$ 12,265	\$ 10,784
Discontinued operations	\$ 3,439	\$ (1,903)
Reduction in deferred tax liabilities for change in future tax rate	\$ 91	\$ (32)
Changes in deferred tax liabilities	\$ (106)	\$ –
	<u>\$ 15,689</u>	<u>\$ 8,849</u>

As of September 30, 2013 and September 30, 2012 the Corporation does not have any unrecognized deductible temporary differences.

The deferred tax liabilities components and their changes were as follows:

	September 30, 2012	Recognized in profit	September 30, 2013
Deferred tax liabilities differences in tax and book carrying amounts of investment properties and property, plant and equipment	\$ 70,129	\$ 12,212	\$ 82,341
Differences in tax and book carrying amounts of deferred financing cost	\$ 1,099	\$ 38	\$ 1,137
Deferred tax liabilities for discontinued operations	\$ (4,762)	\$ 3,439	\$ (1,323)
Deferred tax liabilities for continuing operations	\$ 66,466	\$ 15,689	\$ 82,155

	September 30, 2011	Recognized in profit	September 30, 2012
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	\$ 59,831	\$ 10,298	\$ 70,129
Differences in tax and book carrying amounts of deferred financing cost	\$ 645	\$ 454	\$ 1,099
Defer tax liabilities for discontinued operations	\$ (2,859)	\$ (1,903)	\$ (4,762)
Defer tax liabilities for continuing operations	\$ 57,617	\$ 8,849	\$ 66,466

13. TRADE AND OTHER PAYABLES

Trade and other payable comprise trade payable, accrued liabilities and deferred income:

	September 30, 2013	September 30, 2012
Trade payables and accrued liabilities	\$ 7,986	\$ 4,110
Deferred revenue	\$ 55	\$ 97
	\$ 8,041	\$ 4,207

14. REFUNDABLE SECURITY DEPOSITS

Refundable security deposits are considered as restricted cash as they are held in trust bank account and subject to the contingent rights of third parties.

15. BANK INDEBTEDNESS

The Corporation had a revolving line of credit of \$20 million and a revolving acquisition line of credit of \$35 million with a chartered financial institution. The revolving line of credit is secured by a first and second mortgage charge on specific properties with fair value of \$60 million. The revolving acquisition line of credit is to be used for acquisition of investment properties up to the lesser of 75% of the acquisition price or the appraised value and was secured by a first charge against the acquired investment properties. As at September 30, 2013, the Corporation has drawn \$2.9 million (September 30, 2012 – \$37.8 million) against these credit facilities. The facilities carried an interest rate of prime plus 2.50%, interest payment only and are renewable on an annual basis.

The Corporation's credit facilities contains financial covenant to maintain an overall debt service coverage ratio of 1.20. As at September 30, 2013, the Corporation's overall debt service coverage ratio was 1.50 (September 30, 2012 – 1.39) which is in compliance with the financial covenant.

16. SHARE CAPITAL

Authorized:

Unlimited number of common voting shares with no par value

Unlimited number of preferred shares with no par value

Issued, outstanding and fully paid:

	September 30, 2013		September 30, 2012	
	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding, beginning of the year	10,465,281	\$ 28,403	10,401,281	\$ 26,762
Shares purchase loan reduction	–	120	–	46
Exercise of stock options	–	–	64,000	935
Transfer from contributed surplus	–	18	–	660
Issued and outstanding, end of the year	10,465,281	\$ 28,541	10,465,281	\$ 28,403

All common shares share an equal right to dividends.

The Corporation has obtained approval from the TSX to continue to repurchase common shares of the Corporation under a Normal Course Issuer Bid commencing February 23, 2013. During the years ended September 30, 2013 and 2012, no share was repurchased and cancelled.

17. PROFIT PER SHARE

Basic profit per share are calculated using the weighted average number of shares outstanding during the year.

The treasury stock method of calculating the diluted profit per share is used. There is no anti-dilutive stock option outstanding as at September 30, 2013 .

The following table sets forth the computation of basic and diluted profit per share:

(In 000s, except share and per share amounts)

Year ended September 30	2013	2012
Numerator		
Net Profit	\$ 63,276	\$ 56,051
Denominator		
For basic profit per share		
Weighted average shares	10,465,281	10,441,762
Dilutive effect	694,666	655,638
For diluted profit per share	11,159,947	11,097,400
Profit per share		
– basic	\$ 6.05	\$ 5.37
– diluted	\$ 5.67	\$ 5.05

18. STOCK OPTION PLAN

A summary of the Corporation's stock option plan as of September 30, 2013 and September 30, 2012 and changes during the years are presented below:

Stock option	September 30, 2013		September 30, 2012	
	Number of shares	Weighted Average Exercise price	Number of shares	Weighted Average Exercise price
Outstanding and exercisable, beginning of the year	837,000	\$ 5.51	1,168,700	\$ 8.11
Exercised	–	–	64,000	\$ 14.61
Cancelled	5,000	–	267,700	\$ 14.70
Outstanding and exercisable, end of the year	832,000	\$ 5.51	837,000	\$ 5.51
Weighted average contractual life-year	5.44		6.44	
The range of exercise prices	\$ 5.51		\$ 5.51	

During the year ended September 30, 2013, an officer and director of the Corporation exercised options to purchase 5,000 common shares on a cash settlement alternative basis whereby the Corporation paid to the officer and director an amount of \$128,000 representing the in-the-money-value of the options on the dates of exercise (being the difference between the weighted average closing price of the common shares of the Corporation on the dates of exercise and the exercise prices of the options multiplied by the number of common shares exercised on such basis) and cancelled the stock option. The amount paid to the officer and director was recognized as a stock option cash settlement expense in the statement of profit and total comprehensive income.

19. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Fair value of financial assets and liabilities

The Corporation's financial assets and liabilities comprise restricted cash, cash and cash equivalents, trade and other receivables, mortgage receivable, bank indebtedness, mortgages payable, trade and other payables, and refundable security deposits. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of restricted cash, cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables, and refundable security deposits approximate their carrying amounts due to the short-term maturity of those instruments.

The fair values of mortgages receivable and payable are determined using the current market interest rates as discount rates, the net present value of principal balances and future cash flows over the terms of the mortgages. In identifying the appropriate level of fair value, the Corporation performs a detailed analysis of the financial assets and liabilities. The inputs used to measure fair value determine different levels of the fair value hierarchy categorized as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Values based on valuation techniques for which any significant input is not based on observable market data.

The fair values of financial assets and liabilities were as follows:

	September 30, 2013		September 30, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Investment properties – Level 3	\$ 1,127,698	\$ 1,127,695	\$ 982,565	\$ 982,565
Restricted cash – Level 1	\$ 2,797	\$ 2,797	\$ 2,232	\$ 2,232
Cash and cash equivalents – Level 1	1,825	1,825	2,205	2,205
Trade and other receivables	1,466	1,466	1,115	1,115
Mortgage receivable	2,500	2,500	–	–
Financial liabilities:				
Bank indebtedness	2,874	2,874	37,762	37,762
Mortgages payable	554,616	574,778	473,230	508,369
Trade and other payables	8,041	8,041	4,207	4,207
Refundable security deposits	3,468	3,468	2,903	2,903

20. RISK ASSOCIATED WITH FINANCIAL ASSETS AND LIABILITIES

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. Most of the Corporation's financial assets and liabilities are short term in nature, the fluctuation in the fair value is therefore minimal.

Interest risk

The Corporation is exposed to interest rate risk to the extent of any upward or downward revision in prime lending rates. Mortgages totaling \$96 million are subject to renewal before the financial year ending September 30, 2014. Change in the interest rate has the potential to adversely affect the profitability of the Corporation. However, the Corporation attempts to mitigate this risk by staggering the maturity dates for its mortgages. The majority of the Corporation's mortgages are insured by CMHC under the National Housing Association ("NHA") mortgage program. This added level of insurance offered to lenders allows the Corporation to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely. A 1% change in the prime lending rate would have resulted in a change of \$359,000 in interest expense for the year ending September 30, 2014.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants and collecting security deposits from tenants. The Corporation's tenants are numerous which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of September 30, 2013, rents due from current tenants amounted to \$365,000 (September 30, 2012 – \$539,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$3.5 million (September 30, 2012 – \$2.9 million) and provisions for bad debts of \$100,000 (September 30, 2012 – \$100,000).

In relation to cash, cash equivalents and restricted cash, the Corporation believes that its exposure to credit risk is low. The Corporation places its cash, cash equivalents, and restricted cash only with reputable Canadian chartered financial institutions.

Liquidity Risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages its liquidity risk by monitoring forecast and cash flows on a regular basis to meet expected operational expenses, by maintaining adequate banking facilities, and by matching the maturity profiles of financial assets and liabilities.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 105,522	\$ 88,852	\$ 54,445	\$ 31,784	\$ 282,326	\$ 562,929
Bank indebtedness	\$ 2,874	–	–	–	–	\$ 2,874
Trade and other payables	\$ 8,041	–	–	–	–	\$ 8,041
Refundable security deposits	\$ 3,468	–	–	–	–	\$ 3,468

21. GUARANTEES, CONTINGENCIES, COMMITMENTS

In the normal course of business, the Corporation may enter into various agreements that may contain features that meet the definition of guarantees, contingencies, commitments in accordance with IAS 37 that contingently requires the Corporation to make payments to the guaranteed party based on: (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty; (ii) failure of another party to perform under an obligating agreement; or (iii) failure of a third party to pay its indebtedness when due.

In the ordinary course of business, the Corporation provides indemnification commitments to counterparties in transactions such as credit facilities, leasing transactions, service arrangements, director and officer indemnification agreements and sales of assets. These indemnification agreements require the Corporation to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by a counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based on the contract and do not provide any limit on the maximum potential liability. Historically, the Corporation has not made any significant payments under such indemnifications and no amount has been accrued in these financial statements with respect to these indemnification commitments.

In the normal course of operations, the Corporation will become subject to a variety of legal and other claims against the Corporation. Management and the Corporation's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Corporation will not be material.

As of September 30, 2013 and September 30, 2012, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to guarantees, contingencies and commitments.

22. RELATED PARTY TRANSACTIONS

- The President and Chief Executive Officer receives commissions at commercial rates in his capacity as a licensed broker for the property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. These commissions are not incurred or paid by the Corporation but rather by the other selling party or parties to the transaction. The commissions received during the year ended September 30, 2013 amounted to \$214,000 (2012 – \$505,000) and formed part of the President and Chief Executive Officer's total remuneration for the year.
- The Corporation paid legal and professional fees and reimbursements for the year ended September 30, 2013 – \$200,000 (2012 – \$186,000) to a law firm of which a director and officer of the Corporation is a partner. Professional fees and reimbursements are determined on an exchange value basis. As at September 30, 2013 the amounts payable to the law firm were \$5,000 (September 30, 2012 – \$NIL).
- The Corporation has established a one-time plan to assist its directors, officers and employees in purchasing common shares of the Corporation in October 2005. Total loans – \$80,000 as at September 30, 2013 (September 30, 2012 – \$200,000) – were advanced on October 31, 2005. The loans are determined on an exchange value basis and are interest-free and secured against 100,000 (September 30, 2012 – 100,000) common shares of the Corporation purchased by the participants. The market value of the common shares at September 30, 2013 was \$30.19 (September 30, 2012 – \$31.46) per share. The original payment term of the loan was on October 31, 2009. The payment terms have been revised to 20 quarterly payments effective January 1, 2010. As such, the loan amounts have been treated as a reduction of share capital in the financial statements.

23. KEY MANAGEMENT PERSONNEL

Key management personnel of the Corporation during the year ended September 30, 2013, were:

Navjeet. (Bob) Dhillon, President and Chief Executive Officer
 Johnny C. S. Lam, Chief Operating Officer and Chief Financial Officer
 Sheena Keslick, Vice President, Operations

The remuneration of the Corporation's key management personnel were as follows:

Year ended September 30	2013	2012
Short-term benefits	\$ 2,511	\$ 2,188

In addition, there are 772,000 option-based awards outstanding at the end of the financial year ended September 30, 2013 to the key management personnel of the Corporation.

24. SEGMENTED INFORMATION

The Corporation specializes in multi-family residential housing and operates primarily within one business segment in three provinces located in Canada. The following summary presents segmented financial information for the Corporation's continued operations by geographic location:

Rental Operations

(in 000s)

Year ended September 30,	2013	2012
BRITISH COLUMBIA		
Rental revenue	\$ 18,753	\$ 18,052
Ancillary rental income	306	247
Fair value gains	703	3,922
Property operating expenses	6,759	6,539
ALBERTA		
Rental revenue	\$ 50,287	\$ 40,452
Ancillary rental income	815	584
Fair value gains	51,186	39,385
Property operating expenses	16,850	13,156
SASKATCHEWAN		
Rental revenue	\$ 7,918	\$ 7,377
Ancillary rental income	111	113
Fair value gain (loss)	7,583	3,602
Property operating expenses	2,548	2,225
TOTAL		
Rental revenue	\$ 76,958	\$ 65,881
Ancillary rental income	1,232	944
Fair value gains	59,472	46,909
Property operating expenses	26,157	21,920
Unallocated revenue*	31	25
Unallocated expenses**	(49,050)	(41,859)
Discontinued operations	790	6,071
Profit for the year	\$ 63,276	\$ 56,051

* Unallocated revenue represents interest income.

** Unallocated expenses include general and administrative expenses, mortgage interest, financing cost, depreciation, stock option cash settlement expense and income taxes.

Identifiable Assets and Liabilities

(in 000s)

September 30	2013	2012
BRITISH COLUMBIA		
Investment properties	\$ 258,975	\$ 255,025
Property, plant and equipment	\$ 14	\$ 20
Mortgages payable	\$ 142,277	\$ 121,570
Refundable security deposits	\$ 897	\$ 895
ALBERTA		
Investment properties	\$ 768,545	\$ 640,415
Property, plant and equipment	\$ 4,769	\$ 4,481
Mortgages payable	\$ 365,814	\$ 308,909
Refundable security deposits	\$ 2,214	\$ 1,689
SASKATCHEWAN		
Investment properties	\$ 100,175	\$ 87,125
Property, plant and equipment	\$ 9	\$ 7
Mortgages payable	\$ 46,525	\$ 42,751
Refundable security deposits	\$ 357	\$ 319
TOTAL		
Investment properties	\$ 1,127,695	\$ 982,565
Property, plant and equipment	\$ 4,792	\$ 4,508
Mortgages payable	\$ 554,616	\$ 473,230
Refundable security deposits	\$ 3,468	\$ 2,903

Identifiable Capital Expenditures

(in 000s)

Year ended September 30	2013	2012
BRITISH COLUMBIA	\$ 3,185	\$ 10,725
ALBERTA	\$ 76,880	\$ 74,930
SASKATCHEWAN	\$ 5,467	\$ 4,878
TOTAL – Identifiable capital expenditures	\$ 85,532	\$ 90,533

25. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as the aggregate of its shareholders' equity and mortgages payable and on occasion, bank loan or lines of credit when drawn on. The Corporation's total capital resources as at September 30, 2013 amounted to \$1,054 million (September 30, 2012 – \$944 million).

The Corporation aims to manage its capital resources to maintain financial strength and to maximize its financial flexibility by maintaining strong liquidity and by utilizing alternative sources of capital including equity and mortgages.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the Corporation is summarized below:

(in 000s)

September 30	2013	2012
Mortgages payable	\$ 554,616	\$ 473,230
Bank indebtedness	\$ 2,874	\$ 37,762
Total equity	\$ 496,371	\$ 432,975
Total capital	\$ 1,053,861	\$ 943,967

The Corporation's policy for capital risk management is to maintain a debt to fair value of investment properties ratio, as defined below, of no greater than 70%. The ratio as at September 30, 2013 is approximately 49% (September 30, 2012 – 52%) which leaves a sufficient additional capacity to raise additional funds from refinancing before it reaches its internal target ratio of 70%.

The debt to market value ratios was as follows:

(in 000s)

September 30	2013	2012
Mortgages payable	\$ 554,616	\$ 473,230
Bank indebtedness	\$ 2,874	\$ 37,762
Total debts	\$ 557,490	\$ 510,992
Investment properties	\$ 1,127,695	\$ 982,565
Debt to fair value ratio	49%	52%

In managing the capital requirements of the Corporation, the management makes assessments of the capital and liquid resources required to ensure the going concern of the Corporation. Management believes that the existing liquid resources, funds to be generated from operations, and funds to be raised through the financing and refinancing of debt will be sufficient to support the Corporation's operations on the going concern basis.

26. SUBSEQUENT EVENTS

Subsequent to September 30, 2013, the Corporation acquired 1 property consisting of 29 units of residential apartments in Calgary, Alberta for total consideration of \$3 million.

The Corporation has disposed of the remaining property in Ontario for the consideration of approximately \$22 million. The disposition is anticipated to be closed by the end of January, 2014.

27. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on December 5, 2013.

CORPORATE INFORMATION

OFFICERS

President & CEO

Bob Dhillon
Calgary, AB

*Chief Financial Officer &
Chief Operating Officer*

Johnny Lam
Calgary, AB

Secretary

Joe Amantea
Calgary, AB

BOARD OF DIRECTORS

Joe Amantea
Calgary, AB

Ron B. Anderson
Vancouver, BC

Bob Dhillon
Calgary, AB

Karanveer Dhillon
San Francisco, CA

Rich Grimaldi
Westport, CT

John Irwin
London, ON

DIRECTORS' COMMITTEES

Executive Committee

Bob Dhillon
Calgary, AB

Joe Amantea
Calgary, AB

Audit Committee

Chair

John Irwin
London, ON

Rich Grimaldi
Westport, CT

Ron B. Anderson
Vancouver, BC

Human Resource Committee

Chair

Joe Amantea
Calgary, AB

Ron B. Anderson
Vancouver, BC

REGISTRAR & TRANSFER AGENT

REGISTRAR & TRANSFER AGENT

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SOLICITORS

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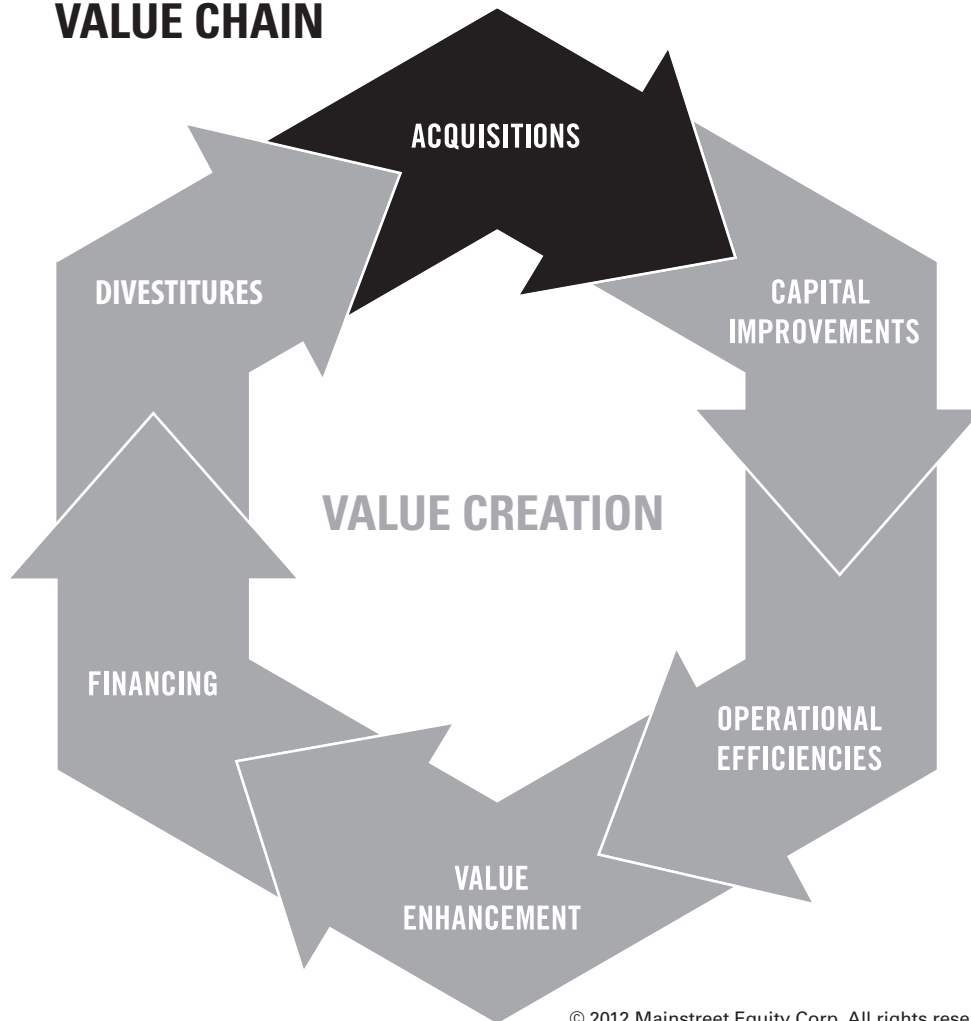
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STOCK EXCHANGE

Toronto Stock Exchange
Trading symbol: MEQ

The Mainstreet
VALUE CHAIN



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How do we create value? By relying on the business model that Mainstreet pioneered in the mid-market rental apartment space, the “Mainstreet Value Chain”. It focuses on value creation by acquiring underperforming assets, renovating them to our higher standard and repositioning them in the market at a higher rent. As a result, the value of the property increases substantially due to the improved conditions of buildings and the higher rents that they can attract. This enables Mainstreet to unlock the value created by financing the stabilized property using long-term, low-interest CMHC insured mortgages. The capital that is unlocked by that process can then be used to fund additional growth. **Since the day of incorporation in May 1997, we have grown our portfolio from 272 units with appraised values of \$17 million to 8,478 units with appraised values of approximately \$1.15 billion with minimal equity dilution.**