

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 primarily in Western 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 costs of renovations, increased cash flow, the Corporation's liquidity and financial capacity, improved rental conditions, future environmental impact, the Corporation's goals and the steps it will take to achieve them, the Corporation's anticipated funding sources to meet various operating and capital obligations 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 are not guarantees of future events or performance and by their nature involve known and unknown risks, uncertainties and other factors, including those risks described in this Annual Information Form under the heading "Risk 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 availability of labour and costs of renovations, but without limitation, fluctuations in vacancy rates, unoccupied units during renovations, rent control, fluctuations in utility and energy costs, credit risks of tenants, fluctuations in interest rates and availability of capital, and other such business risks as discussed herein. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include, among others, the rental environment compared to several years ago, relatively stable interest costs, access to equity and debt capital markets to fund (at acceptable costs) and the availability of purchase opportunities for growth in Canada. 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.

Certain information set out herein may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding the Corporation's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

5 YEAR TRENDS

Continuing Operations

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

	% change 2013 vs. 2014	2014	2013	2012	2011	2010
Total number of units (8,828 YTD)	7%	8,780	8,218	8,180	7,362	6,419
Market value of the portfolio	12%	1,259	\$ 1,127	\$ 1,051	\$ 908	\$ 752
Rental revenue	16%	90.4	\$ 78.2	\$ 66.8	\$ 56.9	\$ 53.1
Same assets rental revenue	8%	81.1	\$ 75.0	\$ 62.4	\$ 52.7	\$ 47.9
Net operating income						
– from continuing operations	16%	60.1	\$ 52.05	\$ 44.9	\$ 37.3	\$ 33.2
Same assets net operating income	8%	54.2	\$ 50.1	\$ 42.1	\$ 34.7	\$ 29.6
Funds from continuing operations	34%	25.6	\$ 19.1	\$ 14.9	\$ 11.2	\$ 7.7
(Before stock option cash settlement expense and loss on disposition from investment property)						
Operating margins	–	66%	67%	67%	66%	63%
Share price	35%	40.70	\$ 30.19	\$ 31.46	\$ 17.15	\$ 11.40

MESSAGE FROM THE PRESIDENT & CEO

For the years ended September 30, 2014 and 2013

2014: BUILDING SCALE, CEMENTING A FOUNDATION FOR THE NEXT LEVEL OF GROWTH

Our 16th consecutive quarter of double-digit growth caps a strong performance year for Mainstreet. On an annual basis, net operating income (“NOI”) was up 16% to \$60.1 million. Funds from operations (“FFO”) from continuing operations rose 34% to \$25.6 million, before stock option cash settlement expenses, while rental revenue was up 16% to \$90.4 million. On a same-asset basis, rental revenue rose 8% to \$81.1 million and NOI was up 8% to \$54.2 million. The average vacancy rate at same-asset properties fell from 9.1% to 6.7%, while the average rental rate rose 8% to \$900 with an operating margin of 67%. As of December 1, 2014, the vacancy rate was 5.2% excluding 77 units under complete reconstruction.

In fiscal year 2014, we refinanced \$105.8 million with an average interest rate of 4.2% matured debts to 10-year, long term CMHC-insured mortgages, at an average interest rate of 3.3%. The refinancing reduced annualized interest expenses by \$1.2 million. We also financed eight clear titled properties for \$21 million. These financings raised an additional \$52 million in capital. Securing fixed-rate mortgages mitigates the risk of fluctuating interest rates and increases the average term of Mainstreet debt to 7.8 years.

Mainstreet has moved past its roots as a niche apartment owner and now manages a \$1.26 billion portfolio of properties that generates consistent and rising returns. We now own 8,780 residential units, a 7% rise over fiscal year 2013. The market value of the portfolio is up \$130 million, or 12%, from the previous year. Following the close of the fiscal year, we added another 48 units to our portfolio, for a total cost of \$4.6 million.

CHALLENGES

The Mainstreet model comes with inherent challenges. Chief among them is the time it takes to stabilize units, which leads to higher (although temporary) levels of vacancy in buildings we acquire. This, conversely, is the central element in our add-value model.

Mainstreet continues to face rising cost pressures, particularly in property tax and utility prices. Recent changes in immigration laws make recruitment of foreign workers more difficult and expensive, and have already resulted in Mainstreet losing some of our foreign workforce.

More broadly, Mainstreet’s size and scale add to the challenge of finding the large numbers of new properties it now takes to achieve significant growth. This is the law of large numbers at work, and our disciplined approach means we only buy buildings to which we can add value. This, however, provides an edge when market conditions support growth, as we believe they do in the current environment in Western Canada – a key part of the outlook for Mainstreet.

OUTLOOK

We see five key reasons to be confident that Mainstreet will continue to demonstrate strong, non-dilutive growth: the run-way left in our existing portfolio, the liquidity we have amassed to grow that portfolio, the beneficial effects of falling oil prices, the large number of valuable intangible assets we have acquired and the geographic markets we call home.

1) Runway in our existing portfolio

One of the chief engines we believe in our growth model is our ability to purchase under-performing assets and transform them to a high standard through renovations that add significant value. This process creates opportunity, but also leaves units empty for a period. We are currently stabilizing 1,036 units, and expect to see NOI growth potential as they are renovated, stabilized and then reintroduced to the rental pool.

Better vacancy rates, reduction in rental incentives and increase in rental rates are important elements of our growth run-way.

2) \$100M available liquidity

With interest rates still near historic lows, we expect to see a confluence of opportunity that we intend to seize. We have a total of \$100-million in liquidity, including an \$85 million line of credit that is linked to our clear title assets. Our debt-to-book level remains at a comfortable 48%, giving us room to finance expansion. We believe our liquidity position provides us the borrowing capacity to fund nearly \$400-million in acquisitions.

We also continue to liberate significant volumes of cash through refinancing. In 2015, we expect to refinance \$52.2 million maturing mortgages with an average interest rate of 4.5%. At current rates of roughly 3% (the mortgage loan we secured in November 2014 was a 10-year long-term debt at the rate of 2.95%), securing new mortgages, we expect to have a substantial amount of savings in interest expense and generate more capital that can be used to fund growth.

3) An oil boon

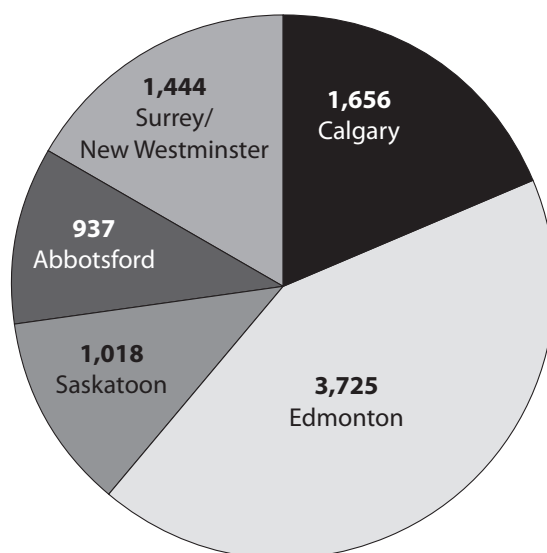
We believe that the recent drop in oil prices provides new opportunity for Mainstreet to maintain, and possibly accelerate, growth. In recent years, hard-charging economic expansion in Western Canadian markets has created cost pressures that have challenged acquisitions, capital expenditures and human resources. Now, we expect lower oil prices to have a cooling effect, most notably in labour rates for skilled workers. We expect a more balanced economic situation that will provide advantages in acquiring assets and reducing cost escalations. Instability in energy markets can also boost demand for rental properties, amid broader economic uncertainty. We are building up a senior management team in expectation of favourable conditions for new acquisitions. In addition, we hold a diversified portfolio with 39% of our units outside the province of Alberta.

4) The upside of intangibles

Our portfolio of assets, we believe, provides a series of further levers for growth, from improvements in the way we operate to empty spaces that can, at low cost, be transformed into revenue-generating rental units.

- a) **Clustering in the Edmonton Arena District** – We continue to see the benefits of strategic geographic investing in transformational neighbourhoods. For example, we have assembled a cluster of properties in what is now being called the Edmonton Arena District. The major construction and revitalization project is bringing a new arena and entertainment venue, a four-star hotel, new retail locations, office and residential towers to downtown Edmonton. The project sits at the heart of a broader Edmonton urban investment project that includes LRT extension and university expansion. It promises to reshape

TOTAL PORTFOLIO BY CITY
(Sept. 30, 2014)



the city's core in ways that will add to its attractiveness and value as a place to live. The first puck is expected to drop in the new arena in 2016. Mainstreet has 89 apartment properties in this arena area.

- b) *Speedy cycle times*** – In May, 2013, we bought a high rise concrete building, with 359 units in Edmonton, and began a major renovation project that overhauled the building far faster than might be expected. In just a year, we replaced windows, painted the exterior, upgraded the parking lot structure, installed new elevators and renovated most of the suites to our exacting specifications. The project increased revenue by 56%, and highlighted our strategic advantages as cost-effective renovators and rigorous project managers. We believe we have created an enviable renovation machine that substantially decreases the cycle time of creating value from new acquisitions.
- c) *Software development*** – A quick response to problems makes for effective fixes and satisfied tenants, both of which can boost operational performance. To boost our ability to spot and respond to issues, we are developing tailor-made software that is anticipated to weave together our hundreds of apartment buildings. This software will offer headquarters staff a real-time window into our operations. We expect the first module of this software to be in place by the third quarter of the 2015.
- d) *Call centre and customer services*** – In another step to make our operations more effective, we are currently building a call centre that will offer quick access to services for all tenants.
- e) *Hidden value and residual space*** – We constantly scrutinize our portfolio for opportunities to convert space to more profitable use. We are transforming under-utilized amenity and retail spaces into apartments (we started transforming and adding 17 suites in 2014). We are developing professional plans to make better use of 14 under-utilized acres in Calgary and a lot in Abbotsford. We are also assessing the potential for sales at properties in Vancouver/Lower Mainland markets where we already hold valuable condominium title buildings.
- 5) A Western bounty of jobs and in-migration**
- We believe that the Western Canadian markets, that are our home turf, remain among the strongest in the country. Though 2015 is likely to see a moderation in in-migration to Alberta, we believe it will remain relatively strong. As a result, the Canada Mortgage and Housing Corporation expects heavy demand for rental units to continue through 2016 across the province. In Edmonton, low vacancy rates are expected to propel a 12% increase in average two-bedroom rent between 2013 and 2016. Markets in Saskatchewan and Vancouver/Lower Mainland are also expected to remain robust.

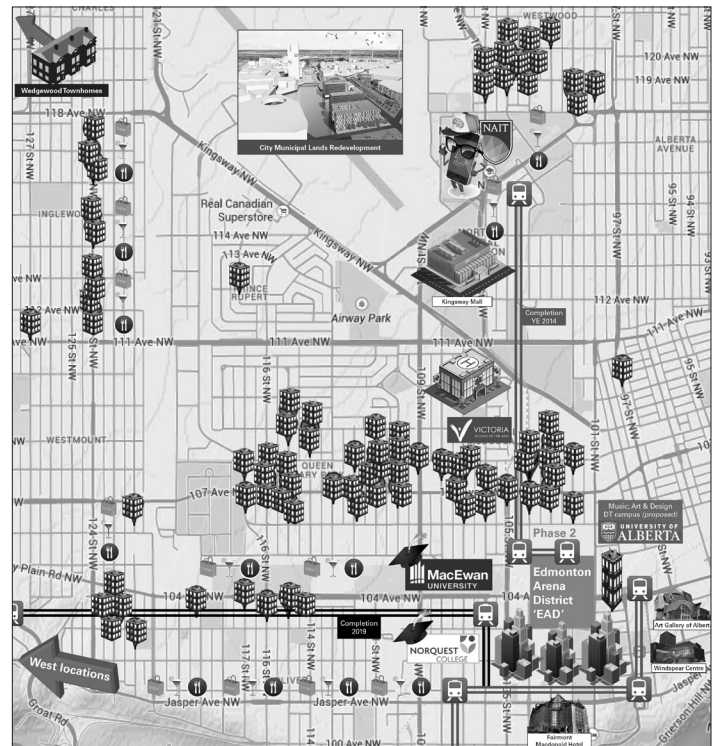
Sincerely,

[Signed]

“Bob Dhillon”
President & CEO

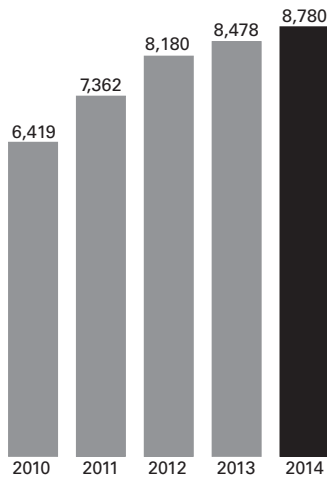
Calgary, Alberta
December 5, 2014

MAINSTREET OWNS 89 APARTMENT PROPERTIES (2,424 units) in the EDMONTON ARENA DISTRICT 'EAD' – YTD

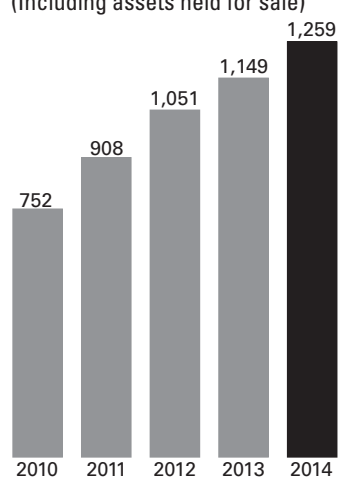


2014 KEY PERFORMANCE INDICATORS

Total number of units
(Including assets held for sale)



Market value of portfolio
(\$ millions)
(Including assets held for sale)



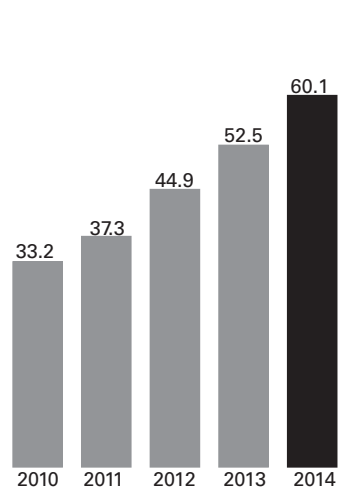
Operating Margins
(%)



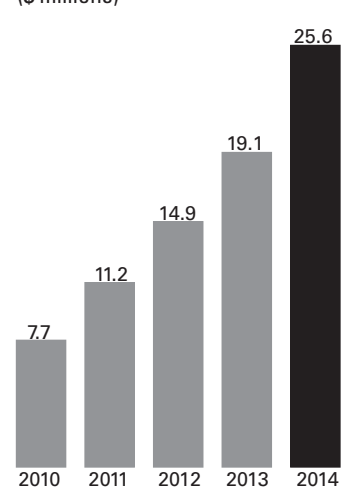
Net Operating Income (NOI)
– Same Assets
(\$ millions)



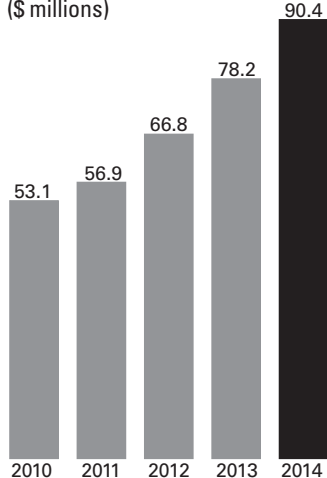
Net Operating Income (NOI)
(\$ millions)



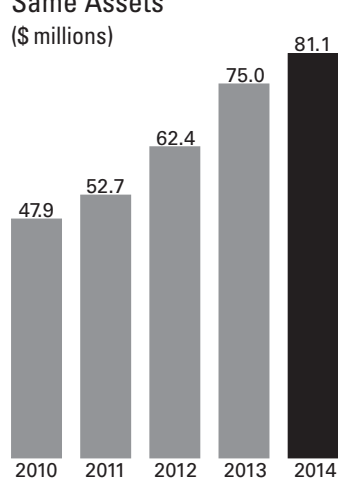
Funds from Operations
(FFO)
(\$ millions)



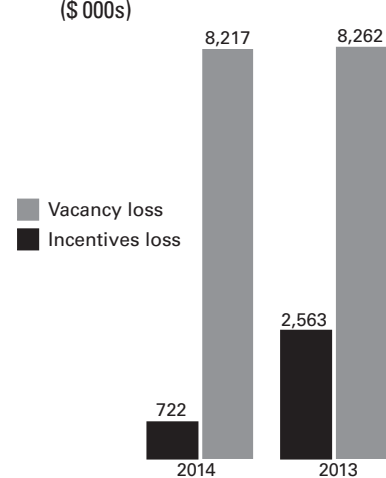
Rental Revenue
(\$ millions)



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 fiscal years ended September 30, 2014 and 2013. The results from the fiscal year ended September 30, 2014 are directly comparable with those from the same period in 2013. 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 and accompanying notes for the years ended September 30, 2014 and 2013. 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, 2014. 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 indicated otherwise, reference herein to 2014 and 2013 refers to the fiscal years ended September 30, 2014 and 2013, respectively.

BUSINESS OVERVIEW

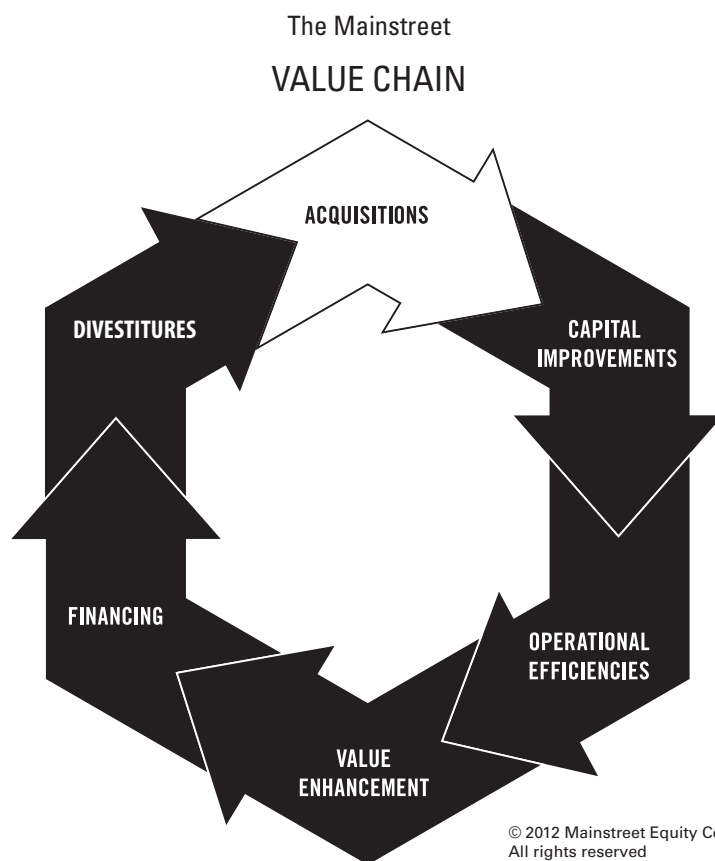
Based in Calgary, Alberta, Mainstreet is a Canadian real estate corporation focused on the acquisition, redevelopment, repositioning and management of mid-market rental apartment buildings in four major Canadian markets: Vancouver/Lower Mainland, Calgary, Edmonton and Saskatoon.

The common shares of Mainstreet are 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.



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INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements of the Corporation prepared in conjunction with this MD&A have been prepared in accordance with 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 cost. Costs include the purchase 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 IAS 40 Investment Property ("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, 2014, 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, 2014.

The fair values are most sensitive in net operating income and capitalization rates. Mainstreet's total portfolio is valued at \$1,259 million at September 30, 2014. The following is the breakdown of market value by city and average capitalization rates used in determining the fair value of investment properties at September 30, 2014 and 2013, respectively.

For the financial year ended September 30, 2014	Number of properties	Number of units	Market value (\$ million)	Average value per unit	Average capitalization rate as at Sep. 30, 2014
Surrey, BC	9	1,444	\$ 174	\$ 120	5.44%
Abbotsford, BC	14	937	\$ 111	\$ 118	5.37%
Calgary, AB	32	1,656	\$ 367	\$ 222	4.64%
Edmonton, AB	120	3,725	\$ 489	\$ 131	5.68%
Saskatoon, SK	37	1,018	\$ 118	\$ 116	6.58%
Total investment properties	212	8,780	\$ 1,259	\$ 143	5.40%

For the financial year ended September 30, 2013	Number of properties	Number of units	Market value (\$ million)	Average value per unit	Average capitalization rate as at Sep. 30, 2013
Surrey, BC	9	1,444	\$ 173	\$ 120	5.46%
Abbotsford, BC	11	731	\$ 86	\$ 118	5.29%
Calgary, AB	30	1,609	\$ 333	\$ 207	4.88%
Edmonton, AB	109	3,517	\$ 436	\$ 124	5.79%
Saskatoon, SK	34	917	\$ 100	\$ 109	6.90%
Total investment properties	193	8,218	\$ 1,128	\$ 137	5.53%

ACQUISITIONS & GROWTH

(000s of dollars)

September 30	2014	2013
	Calgary, Edmonton, Saskatoon and Abbotsford, BC	Edmonton & Saskatoon
Number of rental units	562	702
Total costs	\$ 55,806	\$ 70,324
Average price per unit	\$ 99	\$ 100

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 through increased rental rates. In 2014, Mainstreet purchased 562 apartment units in Calgary, Edmonton, Saskatoon and Abbotsford for \$55.8 million – an average purchase price of \$99,000 per unit. Since Mainstreet's previous financial year-end (September 30, 2013), the Corporation has grown its portfolio of properties by 7%. Mainstreet's portfolio now includes 8,780 residential units, including townhouses, garden-style apartments and concrete mid-rise and high-rise apartments.

As of September 30, 2014, 94% of these residential units were rented, while 2% were being renovated and the remainder left vacant because of current market conditions.

Since 1997, the Corporation's portfolio has increased from 10 to 212 buildings, while the fair value of the investment properties within this portfolio has grown from approximately \$17 million to \$1,259 million as of September 30, 2014.

The following table sets forth the growth of the Corporation by region since the end of the previous financial year ended September 30, 2013.

	Number of units as of Oct. 1, 2013	Acquisitions during the twelve month period ended Sep. 30, 2014	Disposition during the twelve month period ended Sep. 30, 2014	Number of units as of Sep. 30, 2014	% Growth
Surrey, British Columbia	1,444	–	–	1,444	–
Abbotsford, British Columbia	731	206	–	937	28%
Calgary, Alberta	1,609	47	–	1,656	3%
Edmonton, Alberta	3,517	208	–	3,725	6%
Saskatoon, Saskatchewan	917	101	–	1,018	11%
Investment properties	8,218	562	–	8,780	7%
Asset classified as held for sale – Greater Toronto Area, ON	260	–	260	–	–
Total	8,478	562	260	8,780	4%

CAPITAL IMPROVEMENTS

Mainstreet's "Value Chain" business philosophy focuses on creating value in 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 2014, the Corporation spent \$18 million (2013 – \$11 million), of which \$12 million was for upgrading stabilized properties and improving other holdings – specifically for exterior upgrades such as new roofs, new window, new siding and insulation. These expenditures also covered mechanical and interior upgrades such as new boilers, new flooring and paint. To address the balance of non-renovated units in the current portfolio, Mainstreet plans to spend an estimated \$15 million on renovations in fiscal 2015. 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 building materials, and increases in labour and material costs, all of which will have a material impact on the timing and cost of completing these renovations.

REVIEW OF FINANCIAL & OPERATING RESULTS

Summary of financial results

(000s of dollars except per share amounts)

September 30	2014	2013	% change
Gross revenue	\$ 90,575	\$ 78,221	16%
Profit and comprehensive income	\$ 66,575	\$ 63,276	5%
(Loss) profit from discontinued operations	\$ (196)	\$ 790	(125%)
Profit and comprehensive income from continuing operations	\$ 66,771	\$ 62,486	7%
Fair value gains	\$ (56,579)	\$ (59,472)	(5%)
Depreciation	\$ 375	\$ 308	22%
Deferred income tax	\$ 15,045	\$ 15,689	(4%)
Stock option cash settlement expenses	\$ –	\$ 128	–
Funds from continuing operations before stock option cash settlement expenses	\$ 25,612	\$ 19,139	34%
Funds from continuing operations	\$ 25,612	\$ 19,011	35%
Funds from discontinued operations	\$ (80)	\$ 63	(227%)
Funds from operations (Note 1)	\$ 25,532	\$ 19,074	34%
Stock option cash settlement expenses	\$ –	\$ 128	–
Funds from discontinued operations	\$ 80	\$ (63)	(227%)
Interest income	\$ (129)	\$ (31)	316%
General and administrative expenses	\$ 8,698	\$ 8,011	9%
Mortgage interest	\$ 24,118	\$ 23,163	4%
Financing cost	\$ 1,800	\$ 1,751	3%
Net operating income (Note 2)	\$ 60,099	\$ 52,033	16%
Operating margin from continuing operations	66%	67%	
Profit per share			
Basic – continuing operations	\$ 6.38	\$ 5.97	7%
Basic – discontinued operations	\$ (0.02)	\$ 0.08	(125%)
Fully diluted – continuing operations	\$ 5.97	\$ 5.60	7%
Fully diluted – discontinued operations	\$ (0.02)	\$ 0.07	(129%)
Funds from operations per common share			
Basic – continuing operations	\$ 2.45	\$ 1.82	35%
Basic – discontinued operations	\$ (0.01)	\$ 0.01	(200%)
Fully diluted – continuing operations	\$ 2.29	\$ 1.70	35%
Fully diluted – discontinued operations	\$ (0.01)	\$ 0.01	(200%)
Weighted average number of shares			
Basic	10,467,718	10,465,281	
Fully diluted	11,178,212	11,159,947	
Total Assets	\$ 1,273,102	\$ 1,164,441	
Total Long term liabilities	\$ 616,300	\$ 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 above). 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 year provided on the previous page.

REVENUE

Revenue was primarily comprised of rental and ancillary rental income totalling \$90.4 million (2013 – \$78.2 million) and interest income. The 16% increase in revenue over fiscal year 2013 is due to increases in the rental and ancillary rental income, which is discussed and analyzed in the session entitled "Rental Operations" below.

PROFIT FROM CONTINUING OPERATIONS

In 2014, Mainstreet reported a profit from continuing operations of \$66.8 million (\$6.38 per basic share) as compared to \$62.5 million (\$5.97 per basic share) in 2013.

FUNDS FROM OPERATIONS

Management believes that FFO rather than profit, as defined in the preceding footnote, is a more meaningful performance measurement for a real estate company's operating performance as the FFO excluded these non-operating income and expenses namely fair value gains, depreciation and deferred income taxes. 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.

In 2014, Mainstreet's FFO from continuing operations before stock option cash settlement expenses increased to \$25.6 million as compared to \$19.1 million in 2013, an increase of 34%. The increase is a result of an 8% growth in the Corporation's portfolio relative to 2013, and a substantial improvement in the rental operations as analysed under the section entitled "Rental Operations" below.

GENERAL & ADMINISTRATIVE (G&A) EXPENSES

G&A expenses mainly include corporate costs such as office overheads, professional fees and salaries. In 2014, G&A expenses moderately increased by 9% to \$8.7 million as compared to \$8.0 million in 2013. The increase in G&A expenses was mainly attributable to growth of the Corporation, increase in staff and salary adjustments.

MORTGAGE INTEREST

Mortgage interest expenses increased 4% to \$24.1 million in 2014 compared to \$23.2 million in 2013. The rise is mainly attributable to an increase in mortgage loans from new acquisitions, as well as refinancing of matured debts.

RENTAL OPERATIONS

Years ended September 30

(000s of dollars except per unit data)

	Total Portfolio			Same Asset			Acquisition		
	2014	2013	% change	2014	2013	% change	2014	2013	% change
Rental revenue and ancillary rental income	\$90,446	\$78,190	16%	\$81,129	\$75,003	8%	\$ 9,317	\$ 3,187	192%
Operating expenses	\$30,347	\$26,157	16%	\$26,887	\$24,869	8%	\$ 3,460	\$ 1,288	169%
Net operating income	\$60,099	\$52,033	16%	\$54,242	\$50,134	8%	\$ 5,857	\$ 1,899	208%
Operating margin	66%	67%		67%	67%		63%	60%	
Average vacancy rate	7.7%	9.5%	(18%)	6.7%	9.1%	(26%)	15.7%	16.5%	(5%)
Weighted average number of units	8,489	7,886	8%	7,516	7,516	–	973	370	163%
Average rental rate per unit per month	\$ 888	\$ 826	7%	\$ 900	\$ 832	8%	\$ 798	\$ 718	11%
Average operating expense per unit per month	\$ 298	\$ 276	8%	\$ 298	\$ 276	8%	\$ 296	\$ 290	2%

The overall rental revenue increased by 16% to \$90.4 million in 2014 from \$78.2 million in 2013 as the result of the growth of the Corporation's portfolio, increases in rental rates and decreased rental incentives and vacancy rate.

The weighted average number of units increased by 8% to 8,489 units in 2014 from 7,886 units in 2013. The average rental rate per unit per month increased by 7% to \$888 in 2014 from \$826 per unit. The rise was due to the combined effects of a reduction in the average vacancy rate from 9.5% to 7.7%, an increase in rental rates post-stabilization of unstabilized properties and a reduction in rental concessions during the year.

Overall, operating costs increased by 16% to \$30.3 million in 2014, compared to \$26.2 million in 2013, due mainly to growth in the Corporation's portfolio of properties and increases in property tax, utility, repair and maintenance expenses. The average operating expense per unit per month increased by 8% to \$298 in 2014 from \$276 per unit in 2013. As a net result, the net operating income increased by 16% over the year and the overall operating margin remained fairly stable as compared in 2013.

SAME ASSETS PROPERTIES

"Same assets" properties are properties owned by the Corporation for the entire years ended September 30, 2014 and 2013. As of September 30, 2014, 176 properties (7,516 units) out of Mainstreet's 212 properties (8,780 units) constituted same assets properties.

Rental revenues from "same assets" properties increased by 8% to \$81.1 million in FY 2014 compared to \$75.0 million in FY 2013 as a result of increased rental rates, and decreases in rental incentives and vacancy rates.

Operating costs for "same assets" properties increased by 8% to \$26.9 million in FY 2014, compared to \$24.9 million in FY 2013, due mainly to increases in property tax, utilities, repair and maintenance expenses. As a net result, the same asset net operating income increased by 8% over the year and operating margin remained at 67%.

POTENTIAL GROWTH IN RENTAL REVENUE UNDER OPTIMUM OPERATIONS

Management defines "optimum operations" to be when whereby all rental units reach their respective market rates and the average vacancy rate is at 5%.

The Corporation is not currently operating under optimum operations, due mainly to the stabilization and renovation of newly acquired properties and turnover suites.

The following table indicates the potential increase in rental revenue should the Corporation operate under the optimum operating conditions as defined in the preceding paragraph, as of the year-end dated September 30, 2014.

City	Stabilized properties					Unstabilized properties				\$000
	Total number of units	Number of stabilized units	Current net rent rate per unit per month	Current vacancy rate	Current market rent rate per unit per month	Number of unstabilized units	Current net rent rate per unit per month	Current vacancy rate	Current market rent rate per unit per month	Potential increase in rental revenue under the optimum operations
Abbotsford, BC	937	731	\$ 741	4.51 %	\$ 791	206	\$ 692	17.69 %	\$ 855	\$ 987
Surrey, BC	1,444	1,360	\$ 842	4.19 %	\$ 882	84	\$ 886	21.43 %	\$ 924	\$ 693
Calgary, AB	1,656	1,609	\$ 1,175	2.73 %	\$ 1,229	47	\$ 1,218	40.43 %	\$ 1,200	\$ 704
Edmonton, AB	3,725	3,177	\$ 971	5.35 %	\$ 1,028	548	\$ 905	10.58 %	\$ 987	\$ 3,024
Saskatoon, SK	1,018	867	\$ 934	6.46 %	\$ 951	151	\$ 751	6.62 %	\$ 955	\$ 686
	8,780	7,744	\$ 965	4.65 %	\$ 1,013	1,036	\$ 853	13.71 %	\$ 960	\$ 6,093

RENTAL OPERATIONS BY PROVINCE

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

British Columbia

The Corporation achieved a 5% growth in British Columbia in fiscal year 2014; the average number of rental units has grown to 2,278 units compared to 2,175 units in FY 2013. The average vacancy rate increased from 7.7% in 2013 to 8.5% in 2014. Rental revenue per unit increased by 2% to \$744 per month in FY 2014 from \$730 per month in FY 2013.

The operating expense per unit increased to \$278 per month in FY 2014 from \$259 per month in FY 2013. As a net result, the net operating income increased by 3% and the operating margin decreased to 63% as compared to 65% in 2013.

Years ended September 30

(000s of dollars except per unit data)

Total British Columbia Portfolio				
	2014	2013	% change	
Rental revenue and ancillary rental income	\$ 20,332	\$ 19,059	7%	
Operating expenses	\$ 7,605	\$ 6,759	13%	
Net operating income	\$ 12,727	\$ 12,300	3%	
Operating margin	63%	65%		
Average vacancy rate	8.5%	7.7%	10%	
Weighted average number of units	2,278	2,175	5%	
Average rental rate per unit per month	\$ 744	\$ 730	2%	
Average operating expense per unit per month	\$ 278	\$ 259	7%	

Alberta

The Corporation achieved 9% growth in Alberta in fiscal year 2014; the average number of rental units has grown to 5,257 units, compared to 4,806 units in 2013. The average vacancy rate decreased to 7.5% in 2014 from 9.0% in 2013. Rental revenue per unit increased by 8% to \$957 per month in 2014 from \$886 per month in 2013.

The operating expense per unit increased to \$313 per month in 2014 from \$292 per month in FY 2013. As a net result, the net operating income increased by 19% and the operating margin remained constant at 67% as compared to 2013.

Years ended September 30

(000s of dollars except per unit data)

Total Alberta Portfolio				
Rental revenue and ancillary rental income	\$ 60,387	\$ 51,102	18%	
Operating expenses	\$ 19,757	\$ 16,850	17%	
Net operating income	\$ 40,630	\$ 34,252	19%	
Operating margin	67%	67%		
Average vacancy rate	7.5%	9.0%	(17%)	
Weighted average number of units	5,257	4,806	9%	
Average rental rate per unit per month	\$ 957	\$ 886	8%	
Average operating expense per unit per month	\$ 313	\$ 292	7%	

Saskatchewan

The Corporation achieved 5% growth in Saskatchewan in fiscal year 2014; the average number of rental units has grown to 953 units, compared to 905 units in FY 2013. The average vacancy rate decreased significantly to 6.9% in 2014 from 16.1% in 2013. Rental revenue per unit increased by 15% to \$851 per month in 2014 from \$739 per month in 2013.

The operating expense per unit increased to \$261 per month in FY 2014 from \$235 per month in FY 2013. As a net result, the net operating income increased by 23% and the operating margin improved to 69% from 68% in FY 2013.

Years ended September 30

(000s of dollars except per unit data)

Total Saskatchewan Portfolio				
Rental revenue and ancillary rental income	\$ 9,727	\$ 8,029	21%	
Operating expenses	\$ 2,985	\$ 2,548	17%	
Net operating income	\$ 6,742	\$ 5,481	23%	
Operating margin	69%	68%		
Average vacancy rate	6.9%	16.1%	(57%)	
Weighted average number of units	953	905	5%	
Average rental rate per unit per month	\$ 851	\$ 739	15%	
Average operating expense per unit per month	\$ 261	\$ 235	11%	

RESULTS OF DISCONTINUED OPERATIONS

The results of the Corporation's Ontario segment were presented as discontinued operations following 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 best matches with the Corporation's add-value business model.

Three out of the four properties in Ontario were disposed of for consideration of \$46.9 million on January 23, 2013. The remaining property was disposed of for consideration of \$22 million on January 31, 2014.

Results of discontinued operations

September 30	2014	2013
Rental revenue	\$ 919	\$ 4,185
Ancillary rental income	22	130
	941	4,315
Property operating expenses	656	2,290
Net operating income	285	2,025
Interest income	—	19
	285	2,044
Mortgage interest	185	988
Amortization of financing cost	37	332
General and administrative expenses	143	661
Depreciation	1	2
	366	1,983
(Loss) profit from discontinued operations before loss on disposition, fair value losses and income tax (recovery) expense	(81)	61
Loss on disposition	(583)	(666)
Fair value losses	(223)	(2,044)
Loss before income tax expense	(887)	(2,649)
Income tax recovery	(691)	(3,439)
(Loss) Profit from discontinued operations	\$ (196)	\$ 790
Basic (loss) profit per share	\$ (0.02)	\$ 0.08
Diluted (loss) profit per share	\$ (0.02)	\$ 0.07

SUMMARY OF QUARTERLY RESULTS

(000s of dollars except per share amounts)

	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
Rental revenue	\$ 23,538	\$ 22,562	\$ 21,713	\$ 21,256	\$ 20,642	\$ 19,509	\$ 18,696	\$ 18,112
Ancillary rental income	397	389	317	274	400	299	275	258
Interest income	46	32	41	10	14	6	5	6
Total revenue from continuing operations	\$ 23,981	\$ 22,983	\$ 22,071	\$ 21,540	\$ 21,056	\$ 19,814	\$ 18,976	\$ 18,376
Fair value (loss) gain	\$ 41,747	\$ 23,371	\$ (4,151)	\$ (4,388)	\$ 49,244	\$ 942	\$ (2,951)	\$ 12,238
Stock option cash settlement expense	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ (128)
Profit (Loss) from continuing operations	\$ 39,607	\$ 24,806	\$ (905)	\$ 3,263	\$ 46,110	\$ (690)	\$ 3,301	\$ 13,775
(Loss) profit from discontinued operations	\$ –	\$ –	\$ (217)	\$ 21	\$ (630)	\$ (182)	\$ 2,005	\$ (412)
Profit (loss) for the period	\$ 39,607	\$ 24,806	\$ (1,122)	\$ 3,284	\$ 45,480	\$ (872)	\$ 5,306	\$ 13,363
Per share results								
Basic – continuing operations	\$ 3.78	\$ 2.37	\$ (0.09)	\$ 0.31	\$ 4.41	\$ (0.07)	\$ 0.32	\$ 1.32
Basic – discontinued operations	\$ 0.00	\$ 0.00	\$ (0.02)	\$ 0.00	\$ (0.06)	\$ (0.02)	\$ 0.19	\$ (0.04)
Diluted – continuing operations	\$ 3.54	\$ 2.22	\$ (0.08)	\$ 0.29	\$ 4.13	\$ (0.06)	\$ 0.30	\$ 1.23
Diluted – discontinued operations	\$ 0.00	\$ 0.00	\$ (0.02)	\$ 0.00	\$ (0.06)	\$ (0.02)	\$ 0.18	\$ (0.04)
Average vacancy rate	6.60%	8.00%	8.40%	7.80%	7.70%	9.10%	9.60%	9.50%
Net operating income	\$ 16,859	\$ 15,286	\$ 13,582	\$ 14,372	\$ 14,504	\$ 13,248	\$ 12,116	\$ 12,166
Funds from continuing operations	\$ 8,068	\$ 6,631	\$ 4,934	\$ 5,961	\$ 6,088	\$ 5,276	\$ 4,201	\$ 3,451
Per share results								
Basic – continuing operations	\$ 0.77	\$ 0.63	\$ 0.47	\$ 0.57	\$ 0.58	\$ 0.50	\$ 0.40	\$ 0.33
Diluted – continuing operations	\$ 0.72	\$ 0.59	\$ 0.44	\$ 0.53	\$ 0.55	\$ 0.47	\$ 0.38	\$ 0.31

Highlights of the Corporation's financial results for the fourth quarter ended September 30, 2014:

- During Q4 2014, Mainstreet acquired two residential apartment buildings (70 units) at an average cost of \$102,000 per unit.
- In Q4 2014, rental income increased to \$23.5 million from \$22.6 million in Q3 2014 and \$20.6 million in Q4 2013, due mainly to the acquisition of more rental units, increased rental rates, and decreases in rental concessions and vacancy rates.
- In Q4 2014, the average vacancy rate for the quarter was 6.6% compared to 8.0% in Q3 2014 and 7.7% in Q4 2013.
- Fair value gain for the quarter was \$41.7 million as compared to \$23.4 million in Q3 2014 and \$49.2 million in Q4 2013.
- Property operating expenses increased to \$7.1 million in Q4 2014 as compared to \$6.5 million in Q4 2013, due mainly to an increase in property tax, utilities, repair and maintenance expenses.

STABILIZED PROPERTIES

Properties acquired over three years ago in British Columbia and over 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, 2014, 174 properties (7,744 units) out of 212 properties (8,780 units) were stabilized.

FUNDS FROM OPERATIONS OF STABILIZED PROPERTIES

For Q4 2014, FFO from continuing operations before stock option cash settlement expense of Mainstreet's stabilized property portfolio amounted to \$7.4 million (\$0.70 per basic share and \$0.66 per fully diluted share).

For FY 2014, FFO from continued operations before stock option cash settlement expense of Mainstreet's stabilized property portfolio amounted to \$25.1 million (\$2.39 per basic share and \$2.24 per fully diluted share).

(000s of dollars except per share amounts)

	Three months ended Sep 30, 2014			Year ended Sep 30, 2014		
	Stabilized properties	Non-stabilized properties	Total	Stabilized properties	Non-stabilized properties	Total
Rental and ancillary rental income	\$ 21,688	\$ 2,247	\$ 23,935	\$ 84,173	\$ 6,273	\$ 90,446
Property operating expenses	\$ 6,327	\$ 750	\$ 7,077	\$ 27,748	\$ 2,599	\$ 30,347
Net operating income	\$ 15,361	\$ 1,497	\$ 16,858	\$ 56,425	\$ 3,674	\$ 60,099
Operating margin	71%	67%	70%	67%	59%	66%
Vacancy rate	5.3%	16.1%	6.6%	5.7%	22.0%	7.7%
Interest income	\$ 41	\$ 5	\$ 46	\$ 113	\$ 16	\$ 129
General & administrative expenses	\$ 2,046	\$ 255	\$ 2,301	\$ 7,622	\$ 1,076	\$ 8,698
Mortgage interest	\$ 5,624	\$ 457	\$ 6,081	\$ 22,269	\$ 1,849	\$ 24,118
Financing cost	\$ 377	\$ 77	\$ 454	\$ 1,592	\$ 208	\$ 1,800
Funds from operations	\$ 7,354	\$ 713	\$ 8,068	\$ 25,054	\$ 558	\$ 25,612
Funds from operations per share						
– basic	\$ 0.70	\$ 0.07	\$ 0.77	\$ 2.39	\$ 0.05	\$ 2.45
– diluted	\$ 0.66	\$ 0.06	\$ 0.72	\$ 2.24	\$ 0.05	\$ 2.29
Weighted average number of shares						
– basic	10,469,081			10,467,718		
– diluted	11,190,769			11,178,212		

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 2014, after payments of all required expenses, the Corporation generated funds from operations of \$25.5 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.

Other Capital Requirements

Mainstreet also needs sufficient capital to finance continued growth and capital improvement. In 2014, the Corporation spent approximately \$76 million on acquisition of investment properties and capital improvement. The management expects that the following capital resources are sufficient to meet the capital requirement on a year to year basis.

Financing

Debt financing after property stabilization and maturity of initial loans is a cornerstone of Mainstreet's business strategy. Management believes this unlocks the value added 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 Canada Mortgage and Housing Corporation (CMHC) insured mortgages at lower interest rates.

In 2014, Mainstreet has refinanced \$105.8 million in matured debt with an average interest rate of 4.2% into 10-year long-term CMHC-insured mortgage loans for \$136.8 million at an average interest rate of 3.33%. Mainstreet also newly financed eight clear-title properties for \$21.0 million at an average interest rate of 3.32%. Together, this refinancing raised approximately \$52.0 million in additional funds, and resulted in an annualized savings in interest expenses of approximately \$1.2 million.

As of September 30, 2014, the Corporation owned the following 31 clear title properties and a development lot with fair value of approximately \$107 million:

Clear Title Asset List as of September 30, 2014

(000s of dollars except unit information)

Property	Number of units	Acquisition	Cost of (000s)	Fair Value (000s)
2929-2959 Tims St. Abbotsford, BC	108	\$	10,300	\$ 11,900
3147 – 151 Avenue, Edmonton, AB	99	\$	10,000	\$ 12,400
525/529/601/605 Ave X S & 2309 – 17 St. W, Saskatoon, SK	65	\$	4,648	\$ 6,500
3065 Clearbrook Road Abbotsford, BC	56	\$	5,550	\$ 6,350
32120 Peardonville Road, Abbotsford, BC	42	\$	4,400	\$ 5,450
10625 & 10635 – 115 Street Edmonton, AB	42	\$	4,568	\$ 4,600
11065 – 149 Street, Edmonton, AB	33	\$	4,027	\$ 5,460
1335 & 1339 – 10 Ave. SE, Calgary, AB	29	\$	3,000	\$ 4,900
11848 – 87 Street, Edmonton, AB	27	\$	2,783	\$ 3,460
115 Avenue V N, Saskatoon, SK	27	\$	2,268	\$ 2,550
10125 – 114 Street Edmonton, AB	24	\$	1,103	\$ 990
10624/10632 – 103 St. NW, Edmonton, AB	24	\$	1,900	\$ 2,720
11233 – 124 St., Edmonton, AB	24	\$	2,500	\$ 2,620
10630 – 105 Street NW, Edmonton, AB	23	\$	1,900	\$ 2,800
10823 – 115 Street, Edmonton, AB	21	\$	2,016	\$ 2,850
10633 – 116 St., Edmonton, AB	21	\$	2,352	\$ 2,440
11545 – 124 Street, Edmonton, AB	20	\$	1,840	\$ 2,400
10715 – 116 Street, Edmonton, AB	18	\$	2,010	\$ 2,310
10203 – 156 Street, Edmonton, AB	18	\$	1,925	\$ 2,100
318 – 14 Avenue SW, Calgary, AB	18	\$	2,250	\$ 4,150
15216 – 100 Avenue, Edmonton, AB	18	\$	1,505	\$ 2,120
10626 – 104 Street, Edmonton, AB	16	\$	1,628	\$ 1,780
11940 – 82nd St., Edmonton, AB	15	\$	1,500	\$ 1,550
10356 – 92 Street, Edmonton, AB	15	\$	1,200	\$ 1,900
10443 – 156 Street, Edmonton, AB	12	\$	1,092	\$ 1,600
10016 – 152 Street, Edmonton, AB	12	\$	1,062	\$ 1,490
11225 – 117 Street, Edmonton, AB	12	\$	1,140	\$ 1,450
10041 – 152 Street NW, Edmonton, AB	12	\$	1,158	\$ 1,730
1906 – 22 Street W, Saskatoon, SK	12	\$	902	\$ 1,250
11624 – 124 St., Edmonton, AB	12	\$	1,010	\$ 1,060
9804 – 102 Street Fort, Saskatchewan, SK	12	\$	920	\$ 1,260
Multi-family developing lot, 33283 Bourquin Cr. E, Abbotsford, BC	12	\$	306	\$ 450
Total as of September 30, 2014	899	\$	84,762	\$ 106,590

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.

The Corporation's policy for capital risk management is to keep a debt-to-fair value of investment properties ratio of below 70%. The current ratio is approximately 48%, which Management believes will leave considerable room to raise additional funds from refinancing if the need arises.

Banking Facility

As of September 30, 2014, the Corporation has a maximum \$85 million revolving banking facility with a syndicated chartered financial institutions. The facility is secured by a floating charge against the Corporation's assets and carries an interest rate of prime plus 1.25%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lender and the Corporation. As at September 30, 2014, the Corporation has drawn \$22.5 million (September 30, 2013 – \$2.9 million under the old banking facility) against this credit facility.

The facility contains financial covenant to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service coverage ratio of not less than 1.2. As at September 30, 2014, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 48% and 1.44 respectively.

CONTRACTUAL OBLIGATIONS

As of September 30, 2014, the Corporation had the following contractual obligations, which are anticipated to be met using the existing revolving credit facility, 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, 2014 are as follows:

12 months ending September 30,	Amount
2015	\$ 62,874
2016	56,971
2017	36,899
2018	35,066
2019	32,569
Subsequent	367,283
	591,662
Current deferred financing cost	(1,804)
Non-current deferred financing cost	(10,321)
	\$ 579,537

LONG-TERM DEBT

(000s of dollars)

	Amount	% of debt	Average interest rate (%)
Fixed rate debt			
– CMHC-insured	\$ 532,703	90%	3.91%
– non-CMHC-insured	\$ 58,959	10%	4.25%
Total fixed rate debt	\$ 591,662	100%	3.95%
Deferred financing cost	\$ (12,125)		
	\$ 579,537		

Mainstreet's long-term debt consists 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, 2014, total mortgages payable were \$580 million compared to \$555 million on September 30, 2013 – an increase of 5% due to financing during the 2014 fiscal year.

At September 30, 2014, Management believes the Corporation's financial position to be stable, with overall mortgage levels reported at 48% of fair value of investment properties. About 90% 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 (%)
2015	\$ 52,230	9%	4.48%
2016	\$ 50,128	8%	4.67%
2017	\$ 30,679	5%	4.79%
2018	\$ 29,294	5%	5.15%
2019	\$ 27,480	5%	5.39%
Subsequent	\$ 401,851	68%	3.53%
	\$ 591,662	100%	3.95%

All mortgage loans maturing in 2015 are expected to be refinanced to long term CMHC insured mortgages by the end of the 2015.

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 frameworks used to design the Corporation's Internal Control over Financial Reporting ("ICFR") and Disclosure Control and Procedures are Risk Management and Governance – Guidance on Control, published by the Canadian Institute of Chartered Accountants and the requirements of National Instrument 52-109 of the Canadian Securities Administrators titled, 'Certification of Disclosure in Issuers' Annual and Interim Filings'.

In the previous years, the Corporation identified internal control deficiencies that management believed were not atypical for a corporation the size of Mainstreet including lack of segregation of duties due to a limited number of employees dealing with accounting and financial matters, particularly in satellite offices.

During the fiscal year 2014, Management completed a detailed review of the Corporation's ICFR and Disclosure Controls and Procedures ("DC&P"), and in particular, examined ways to improve the Corporation's internal control system with respect to deficiencies due to lack of segregation of duties. This review has resulted in a significant increase of human resources in both the operations and accounting departments of the Corporation, which Management believes has remediated any previously reported material weaknesses regarding internal control for either DC&P or ICFR.

Financial Instruments & 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:

(000s of dollars)

		September 30, 2014		September 30, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Restricted cash	Level 1	\$ 2,993	\$ 2,993	\$ 2,797	\$ 2,797
Cash and cash equivalents	Level 1	1,041	1,041	1,825	1,825
Trade and other receivables	Level 1	1,160	1,160	1,466	1,466
Mortgage receivable	Level 2	2,500	2,500	2,500	2,500
Financial liabilities:					
Bank indebtedness	Level 1	22,457	22,457	2,874	2,874
Mortgages payable	Level 2	579,537	612,314	554,616	574,778
Trade and other payables	Level 1	6,264	6,264	8,041	8,041
Refundable security deposits	Level 1	3,965	3,965	3,468	3,468

The Corporation's non-financial assets comprise investment properties. The fair values of non-financial assets were as follows:

(000s of dollars)

		September 30, 2014		September 30, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets:					
Investment properties	Level 3	\$ 1,259,010	\$ 1,259,010	\$ 1,127,695	\$ 1,127,695

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 20.

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:

		Year ended September 30, 2014		Year ended September 30, 2013	
		Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding, beginning of the period	10,465,281	\$	28,541	10,465,281	\$ 28,403
Shares purchase loan reduction	–		80	–	120
Exercise of stock options	3,800		21	–	–
Transfer from contributed surplus	–		14	–	18
Issued and outstanding, end of the period	10,469,081	\$	28,656	10,465,281	\$ 28,541

On April 16, 2014, the Corporation obtained approval from the TSX to repurchase up to 641,834 common shares of the Corporation under a Normal Course Issuer Bid commencing April 21, 2014 and terminating on April 20, 2015. The Corporation's previous Normal Course Issuer Bid expired on February 22, 2014.

Management believes that the purchase of common shares pursuant to the Normal Course Issuer Bid is in the best interest of the Corporation, as common shares may become available for purchase at prices which make them an appropriate use of the Corporation's funds. All purchases under the Normal Course Issuer Bid are subject to a daily repurchase limited of 2,010 common shares and all common shares purchased under the Normal Course Issuer Bid will be cancelled and returned to the treasury.

During the years ended September 30, 2014 and September 30, 2013, no common shares were repurchased and cancelled by the Corporation.

STOCK OPTION

A summary of the Corporation's stock option plan as of September 30, 2014, and September 30, 2013 and changes during the periods are presented below:

	September 30, 2014		September 30, 2013	
Stock option	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding and exercisable, beginning of the year	832,000	\$ 5.51	837,000	\$ 5.51
Exercised	3,800	\$ 5.51	—	—
Cancelled	—	—	5,000	—
Outstanding and exercisable, end of the year	828,200	\$ 5.51	832,000	\$ 5.51
Weighted average contractual life-years	4.44		5.44	
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, 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.

During the year ended September 30, 2014, a director of the Corporation exercised 3,800 stock options at the exercise price of \$5.51.

Key accounting estimates and assumptions

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

- Significant estimates used in determining the fair value of investment properties include capitalization rates, market rent, vacancy rate and operating expenses. 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;
- Significant estimates used in determining the fair value of financial instruments include the discount rate used to discount the future cash flows for similar loans with similar credit ratings and the same maturities;
- 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
- The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax basis values and the future income tax rate at which these 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, 2014 amounted to \$309,000 (2013 – \$214,000) 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, 2014 amounting to \$405,000 (2013 – \$200,000), respectively, to a law firm of which a director and officer of the Corporation is a partner. As at September 30, 2014, the amounts payable to the law firm were \$20,000 (September 30, 2013 – \$5,000).
- c) The Corporation established a one-time plan to assist its directors, officers and employees in purchasing common shares of the Corporation in October 2005. Total loans outstanding – \$Nil as at September 30, 2014 (September 30, 2013 – \$80,000) – were advanced on October 31, 2005. The loans were determined on an exchange value basis and were interest-free and secured by 100,000 (September 30, 2013 – 100,000) common shares of the Corporation purchased by the participants. The market value of the common shares at September 30, 2014 was \$40.70 (September 30, 2013 – \$30.19) per share. The original payment term of the loan was on October 31, 2009. The payment terms were 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..

Subsequent events

Subsequent to the year end date, the Corporation acquired 2 properties consisting of 48 units of residential apartments in Saskatoon for total cash consideration of \$4.6 million on October 15 and November 18, 2014 respectively.

Off Balance Sheet Arrangements

No off balance sheet arrangement was made by the Corporation for the three-month period ended September 30, 2014.

Risk Assessment & Management

Management defines risk as the evaluation of the probability that an event that could negatively affect the financial condition or results 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 multi-family units in the Corporation's core markets. Numerous other residential developers and apartment owners compete for potential tenants. Although it is Mainstreet's strategy to own multi-family residential properties in premier locations in each market in which it operates, some of the apartments or its competitors may be newer, better located or offer lower rents. In addition, an increase in alternative housing could have a material adverse effect on the Corporation's ability to lease units and in the rents charged and could adversely affect the Corporation's revenues and ability to meet its obligations.

Accordingly, the Corporation's performance will always be affected by the supply and demand for multi-family rental real estate in Western Canada. The potential for reduced rental revenue exists in the event that Mainstreet is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy, which could result in lower rents or higher vacancy rates. Mainstreet has minimized these risks by:

- increasing customer satisfaction;
- diversifying its portfolio across Western Canada, thus lowering its exposure to regional economic swings;

- Acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walk-ups, each with its own market niche;
- maintaining a wide variety of suite mix, including bachelor suites, one, two and three bedroom units;
- building a broad and varied customer base, thereby avoiding economic dependence on larger-scale tenants;
- focusing on affordable multi-family housing, which is considered a stable commodity;
- advertising and offering competitive market pricing to attract new tenants;
- developing a specific rental program characterized by rental adjustments that are the result of enhanced services and superior product; and
- developing regional management teams with significant experience in the local marketplace, and combining this experience with its existing operations and management expertise.

Interest Risk

Mainstreet is exposed to interest rate risk to the extent of any upward revision in prime lending rates. Mortgages totalling approximately \$64 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.

In 2013, the Canadian government announced it would be capping the total amount of insurance that CMHC can have in force at \$600 billion. This decision has primarily affected the amount of portfolio or bulk insurance CMHC offers to banks, and, to date, has had a minimal impact on the renewal of the Corporation's mortgages or the cost of secured debt capital. However, there is no assurance that the decision to cap the amount of CMHC insurance will not affect mortgages for multi-family residential properties in future periods.

Utilities Risk

Mainstreet's business is also exposed to fluctuating utility and energy costs such as electricity and natural gas (heating) prices. While utility and energy costs have been fairly stable over the last several years, there have been recent significant increases in natural gas heating prices due to a prolonged and severe winter, which Management continues to monitor very closely. In order to mitigate this risk, Mainstreet has entered into a rate-protected natural gas contract with maturity date ending January 7, 2017 that caps future natural gas costs at \$4.75 per GJ in Alberta.

Risks of Real Estate 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 sale ability 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 of the Property 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 estate 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 its 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 or not 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.

In addition, real estate property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Corporation to vary its property portfolio promptly in response to changes economic or investment conditions. If the Corporation were required to quickly liquidate its assets, there is risk that the Corporation would realize sale proceeds of less than the stated value of the properties of the Corporation. The Corporation's property portfolio is concentrated in British Columbia, Alberta and Saskatchewan. As a result, economic and real estate conditions in western Canada will significantly affect the Corporation's revenues and the value of its properties.

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 estate 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 and similar risks 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, possible changes in laws related to the use of such migrant or immigration labour, shipping risks and currency fluctuations, all of which may result in unexpected or higher costs or possible 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. However, recent and possible new changes in federal immigration laws related to migrant or immigrant labour may have a negative impact regarding mitigating an increase in labour costs and expenses.

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, 2014, rents due from current tenants amounted to \$209,000 (September 30, 2013 – \$365,000). The possibility of not receiving payment of rent due from current tenants is covered by security deposits of \$3.8 million (September 30, 2013 – \$3.5 million) and provisions for bad debts of \$100,000 (September 30, 2013 – \$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.

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

Any worldwide economic slowdown, stock market uncertainty and international credit crisis could adversely impact the business and the future profitability of the Corporation. In addition, worldwide falling oil and nature gas commodity prices could result in an economic slowdown in Western Canada. During any 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.

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; 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.

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, Health and Safety Matters

Under various environmental, health and safety 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 could potentially also result in claims against the Corporation.

Environmental, health and safety laws provide for sanctions for non compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental, health and safety 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, health and safety regulatory requirements, of remediating any contaminated property or of paying personal injury claims could be substantial.

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 have adverse impact on the Corporation.

Workforce Availability

Mainstreet's ability to provide services to its existing tenants is somewhat dependent on the availability of well-trained employees and contractors to service such tenants as well as complete required maintenance and capital upgrades on its buildings. The Corporation must also balance requirements to maintain adequate staffing levels while balancing the overall cost to the Corporation.

Within Mainstreet, its most experienced employees are employed full-time; this full-time force is supplemented by, seasonal and full-time immigrant labor, additional part-time employees, as well as specific contract services needed by the Corporation. Mainstreet is constantly reviewing existing overall market factors to ensure that its existing compensation program is in-line with existing levels of responsibility and, if warranted, it adjusts the program accordingly. Mainstreet also encourages employee's feedback in these areas to ensure the existing programs are meeting their personal needs.

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.

Currently, the Corporation operated in Canada in the provinces of Alberta, British Columbia and Saskatchewan. Neither of Alberta and Saskatchewan is subject to rent control legislation; however, under Alberta legislation, a landlord is only entitled to increase rents once every twelve months.

Under British Columbia's rent control legislation, a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulations. The guideline amount is two (2%) percent over annual inflation. When a unit is vacant, however, the landlord is entitled to lease the unit to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that Unit.

To manage this risk, prior to entering a market where rent controls are in place, an extensive amount of time is spent researching the existing rules, and, where possible, the Corporation will ensure it employs employees who are experienced in working in these controlled environments. In addition, the Corporation adjusted forecast assumptions on new acquisitions to ensure they are reasonable given the rent control environment.

Operational Risks

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed infrastructure, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulation proceedings. Mainstreet endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and if deemed necessary, improvements are implemented.

Public Market Risk

It is not possible to predict the price at which Mainstreet's Common Shares will trade and there can be no assurance that an active trading market for the Common Shares will be sustained. The Common Shares will not necessarily trade at values determined solely by reference to the value of the properties of the Corporation. Accordingly, the Common Shares may trade at a premium or a discount to the value implied by the value of the Corporation's properties. The market price for the Common Shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Corporation.

Potential Conflicts of Interest

Mainstreet may be subject to various conflicts of interests because of the fact that directors and officers of the Corporation are engaged in other real estate-related business activities. The Corporation may become involved in transactions which conflict with the interests of the foregoing. Directors may from time to time deal with persons, firms,

institutions or corporations with which the Corporation may be dealing, or which may be seeking investments similar to those desired by the Corporation. The interest of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may be competing with Mainstreet for available investment opportunities. Directors and officers of the Corporation are required to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning quantitative and qualitative, leading to an opinion of value. The analysis, options and conditions in an appraisal are typically developed based on, an in conformity with, or interpretation of the guidelines and recommendations set forth in the Canadian Uniform Standards of Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

CHALLENGES

The Mainstreet model comes with inherent challenges. Chief among them is the time it takes to stabilize units, which leads to higher (although temporary) levels of vacancy in buildings it acquires. This, conversely, is the central element in Mainstreet's add-value model.

Mainstreet continues to face rising cost pressures, particularly in property tax and utility prices. Recent changes in immigration laws make recruitment of foreign workers more difficult and expensive, and have already resulted in Mainstreet losing some of its foreign workforce.

More broadly, Mainstreet's size and scale add to the challenge of finding the large numbers of new properties it now takes to achieve significant growth. This is the law of large numbers at work, and Mainstreet's disciplined approach means it only buys buildings to which it can add value. This, however, provides an edge when market conditions support growth, as we believe they do in the current environment in Western Canada – a key part of the outlook for Mainstreet.

OUTLOOK

Mainstreet sees five key reasons to be confident that it will continue to demonstrate strong, non-dilutive growth: the run-way left in its existing portfolio, the liquidity it has amassed to grow that portfolio, the beneficial effects of falling oil prices, the large number of valuable intangible assets Mainstreet has acquired and the geographic markets it calls home.

1) **RUNWAY (AND MORE) IN OUR EXISTING PORTFOLIO:** One of the chief engines we believe in Mainstreet's growth model is its ability to purchase under-performing assets and transform them to a high standard through renovations that add significant value. This process creates opportunity, but also leaves units empty for a period. We are currently stabilizing 1,036 units, and expect to see NOI growth potential as they are stabilized and reintroduced to the rental pool.

Better vacancy rates, reduction in rental incentives and increase in rental rates are important elements of Mainstreet's growth run-way.

2) **\$100M AVAILABLE LIQUIDITY:** With interest rates still near historic lows, Mainstreet expects to see a confluence of opportunity that it intends to seize. Mainstreet has a total of \$100-million in liquidity, including an \$85 million line of credit that is linked to its clear title assets. Mainstreet's debt-to-book level remains at a comfortable 48%, giving it room to finance expansion. Management believes Mainstreet's liquidity position provides it the borrowing capacity to fund nearly \$400-million in acquisitions.

Mainstreet also continues to liberate significant volumes of cash through refinancing. In 2015, it expects to refinance \$52.2 million maturing mortgages with an average interest rate of 4.5%. At current rates of roughly 3% (the mortgage loan Mainstreet secured in November 2014 was at the rate of 2.95%), Mainstreet expects to save substantial amount of interest expenses and generate additional capital that can be used to fund growth.

3) **AN OIL BOON:** Mainstreet believes that the recent drop in oil prices provides new opportunity for Mainstreet to maintain, and possibly accelerate, growth. In recent years, hard-charging economic expansion in Western Canadian markets has created cost pressures that have challenged acquisitions, capital expenditures and human resources. Now, the management expects lower oil prices to have a cooling effect, most notably in labour rates for skilled workers. We expect a more balanced economic situation that will provide advantages in acquiring assets and reducing

cost escalations. Instability in energy markets can also boost demand for rental properties, amid broader economic uncertainty. Mainstreet is building up a senior management team in expectation of favourable conditions for new acquisitions. In addition, Mainstreet holds a diversified portfolio with 39% of our units outside the province of Alberta.

4) THE UPSIDE OF INTANGIBLES: Mainstreet's portfolio of assets, Management believes, provides a series of further levers for growth, from improvements in the way we operate to empty spaces that can, at low cost, be transformed into revenue-generating rental units.

A) Clustering in the Edmonton Arena District – Mainstreet continues to see the benefits of strategic geographic investing in transformational neighbourhoods. For example, it has assembled a cluster of properties in what is now being called the Edmonton Arena District. The major construction and revitalization project is bringing a new arena and entertainment venue, a four-star hotel, new retail locations, office and residential towers to downtown Edmonton. The project sits at the heart of a broader Edmonton urban investment project that includes LRT extension and university expansion. It promises to reshape the city's core in ways that will add to its attractiveness and value as a place to live. The first puck is expected to drop in the new arena in 2016. Mainstreet has 89 apartment properties in this arena area.

B) Speedy cycle times – In June, 2013, Mainstreet bought concrete a high rise building, with 359 units in Edmonton, and began a major renovation project that overhauled the building far faster than might be expected. In just a year, Mainstreet replaced windows, painted the exterior, upgraded the parking lot structure, installed new elevators and renovated most of the suites to its exacting specifications. The project increased revenue by 56%, and highlighted Mainstreet's strategic advantages as cost-effective renovators and rigorous project managers. Mainstreet believes it has created an enviable renovation machine that substantially decreases the cycle time of creating value from new acquisitions.

C) Software development – A quick response to problems makes for effective fixes and satisfied tenants, both of which can boost operational performance. To boost its ability to spot and respond to issues, Mainstreet is developing a tailor-made software that is anticipated to weave together its hundreds of apartment buildings. This software will offer headquarters staff a real-time window into the operations. Mainstreet expects the first module of this software to be in place by the third quarter of the 2015 calendar year.

D) Call centre and customer services – In another step to make the operations more effective, Mainstreet is currently building a call centre that will offer quick access to services for all tenants.

E) Hidden value and residual space – Mainstreet constantly scrutinizes its portfolio for opportunities to convert space to more profitable use. Mainstreet is transforming under-utilized amenity and retail spaces into apartments. Mainstreet is developing professional plans to make better use of 14 under-utilized acres in Calgary and a lot in Abbotsford. Mainstreet is also assessing the potential for sales at properties in Lower Mainland markets where it already holds valuable condominium title buildings.

5) A WESTERN BOUNTY OF JOBS AND IN-MIGRATION

Mainstreet believes that the Western Canadian markets, that are our home turf, remain among the strongest in the country. Though 2015 is likely to see a moderation in in-migration to Alberta, Management believes it will remain relatively strong. As a result, the Canada Mortgage and Housing Corporation expects heavy demand for rental units to continue through 2016 across the province. In Edmonton, low vacancy rates are expected to propel a 12% increase in average two-bedroom rent between 2013 and 2016. Markets in Saskatchewan and British Columbia are also expected to remain robust.

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, 2014, was filed on SEDAR.

MANAGEMENT'S REPORT

To the Shareholders of Mainstreet Equity Corp.

The management of Mainstreet Equity Corp. is responsible for the preparation and content of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards.

Management has implemented a system of internal controls that are designed to provide reasonable assurance that transactions are properly authorized, financial reporting responsibilities are met and assets of the corporation are safeguarded against theft.

The financial statements have been audited by Deloitte LLP, the independent auditors, in accordance with International Financial Reporting Standards. The Audit Committee recommended their approval of the statements to the Board of Directors. The Board of Directors has approved the financial statements on the recommendation of the Audit Committee.

[Signed]

"Bob Dhillon"
Director

December 5, 2014

[Signed]

"Joe Amantea"
Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mainstreet Equity Corp.

We have audited the accompanying consolidated financial statements of Mainstreet Equity Corp., which comprise the consolidated statements of financial position as at September 30, 2014 and 2013, and the consolidated statements of net profit and total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mainstreet Equity Corp. as at September 30, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

[Signed]

"Deloitte LLP"
Chartered Accountants
Calgary, Alberta
December 5, 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$000s of Canadian dollars)

September 30	2014	2013
Assets		
Non-current assets		
Investment properties [Note 5]	\$ 1,259,010	\$ 1,127,695
Property, plant and equipment [Note 6]	4,769	4,792
Mortgage receivable [Note 10]	2,500	2,500
	\$ 1,266,279	\$ 1,134,987
Current assets		
Prepaid assets [Note 7]	\$ 1,174	\$ 977
Trade and other receivables [Note 8]	1,160	1,466
Restricted cash	2,993	2,797
Inventory [Note 9]	455	306
Cash and cash equivalents	1,041	1,825
Assets classified as held for sale [Note 4]	–	22,083
	\$ 6,823	\$ 29,454
Total Assets	\$ 1,273,102	\$ 1,164,441
Liabilities		
Non-current liabilities		
Mortgages payable [Note 11]	\$ 518,468	\$ 450,262
Deferred tax liabilities [Note 12]	97,832	82,155
	\$ 616,300	\$ 532,417
Current liabilities		
Mortgages payable [Note 11]	\$ 61,069	\$ 104,354
Trade and other payables [Note 13]	6,264	8,041
Refundable security deposits [Note 14]	3,965	3,468
Bank indebtedness [Note 15]	22,457	2,874
Liabilities classified as held for sale [Note 4]	\$ –	\$ 16,916
	\$ 93,755	\$ 135,653
Total Liabilities	\$ 710,055	\$ 668,070
Equity		
Share capital [Note 16]	\$ 28,656	\$ 28,541
Contributed surplus	2,404	2,418
Retained earnings	531,987	465,412
Total Equity	563,047	496,371
Total Liabilities and Equity	\$ 1,273,102	\$ 1,164,441

See accompanying notes to these consolidated financial statements.

[Signed]

“Bob Dhillon”

Director

December 5, 2014

[Signed]

“Joe Amantea”

Director

CONSOLIDATED STATEMENTS OF NET PROFIT AND TOTAL COMPREHENSIVE INCOME

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

Year ended September 30	2014		2013	
Rental revenue	\$	89,069	\$	76,958
Ancillary rental income		1,377		1,232
		90,446		78,190
Property operating expenses		30,347		26,157
Net operating income		60,099		52,033
Interest income		129		31
		60,228		52,064
Mortgage interest		24,118		23,163
Amortization of financing cost		1,800		1,751
General and administrative expenses		8,698		8,011
Depreciation [Note 6]		375		308
		34,991		33,233
Profit from continuing operations before other items and income tax expense		25,237		18,831
Fair value gains		56,579		59,472
Stock option cash settlement expenses		–		(128)
Profit from continuing operations before income tax expense		81,816		78,175
Income tax expense [Note 12]		15,045		15,689
Profit from continuing operations		66,771		62,486
(Loss) profit from discontinued operations (net of income tax recovery of \$691 and \$3,439), respectively [Note 4]		(196)		790
Net profit and total comprehensive income	\$	66,575	\$	63,276
Net profit (loss) per share				
– basic from continuing operations [Note 17]	\$	6.38	\$	5.97
– basic from discontinued operations [Note 4]	\$	(0.02)	\$	0.08
– diluted from continuing operations [Note 17]	\$	5.97	\$	5.60
– diluted from discontinued operations [Note 4]	\$	(0.02)	\$	0.07

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(\$000s of Canadian dollars)

		Share Capital	Contributed Surplus	Retained Earnings	Total Shareholders Equity
Balance, October 1, 2012	\$	28,403	\$ 2,436	\$ 402,136	\$ 432,975
Share purchase loan		120	—	—	120
Transfer from contributed surplus		18	(18)	—	—
Profit for the year		—	—	63,276	63,276
Balance, September 30, 2013	\$	28,541	\$ 2,418	\$ 465,412	\$ 496,371
Balance, October 1, 2013	\$	28,541	\$ 2,418	\$ 465,412	\$ 496,371
Share purchase loan		80	—	—	80
Transfer from contributed surplus		14	(14)	—	—
Exercise of stock options		21	—	—	21
Profit for the year		—	—	66,575	66,575
Balance, September 30, 2014	\$	28,656	\$ 2,404	\$ 531,987	\$ 563,047

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000s of Canadian dollars)

Year ended September 30	2014	2013
Cash obtained from (used in) operating activities		
Profit from continuing operations	\$ 66,771	\$ 62,486
Adjustments for:		
Amortization of financing cost	1,800	1,751
Depreciation	375	308
Fair value gains	(56,579)	(59,472)
Deferred income tax	15,045	15,689
Mortgage interest	24,118	23,163
Interest paid on mortgages payable	(24,161)	(23,247)
	\$ 27,369	\$ 20,678
Change in working capital		
Prepaid assets	(197)	123
Trade and other receivables	306	(351)
Inventory	(149)	(149)
Restricted cash	(196)	(565)
Trade and other payables	(1,777)	3,834
Refundable security deposits	497	565
Cash from operating activities	25,853	24,135
Financing activities		
Bank indebtedness	19,583	(34,889)
Proceeds from mortgage payable	157,841	112,355
Repayment of mortgages payable	(141,192)	(70,162)
Proceeds from share purchase loan	80	120
Exercise of stock options	21	–
Cash from financing activities	36,333	7,424
Investing activities		
Purchase of and additions to investment properties [Note 5]	(68,221)	(48,132)
Purchase of and additions to property, plant and equipment	(352)	(592)
Mortgage receivable	–	(2,500)
Cash used in investing activities	(68,573)	(51,224)
Decrease in cashflow from continuing operations	(6,387)	(19,665)
Increase in cashflow from discontinued operations [Note 4]	5,603	19,285
Net decrease in cash and cash equivalents	(784)	(380)
Cash and cash equivalents, beginning of year	1,825	2,205
Cash and cash equivalents, end of year	\$ 1,041	\$ 1,825
Cash and cash equivalents are comprised:		
Cash	\$ 539	\$ 1,771
Short-term deposits	502	54
	\$ 1,041	\$ 1,825

See accompanying notes to these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2014 and 2013

(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, incorporated under the Business Corporation Act of Alberta, 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 the Canadian Institute of Chartered Professional Accountants ("CPA Canada").

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 the 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, and 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 Standard ("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 reassessed 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, and therefore is treated as Investment Property and recorded in accordance with IAS 40 as outline 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. Measurement 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 in 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. 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, 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:

Administrative 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 ("IAS 8").

j) Impairment of assets

All assets, except for those identified as not within the scope of IAS 36 -Impairment of Assets ("IAS 36") 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 is 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

A 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 are 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.	Measures 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> <p>– 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.</p> <p>– 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>	<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
Mortgages payable	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) Profit (Loss) per share

Basic profit (loss) 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 have 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;
- iii) Determining the nature of expenses to be capitalized as capital improvement; and
- iv) 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 estimates and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have 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, market rent, vacancy rate and operating expenses. 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) Significant estimates used in determining the fair value of financial instruments include the discount rate used to discount the future cash flows for similar loans with similar credit ratings and the same maturities;
- iii) 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
- iv) The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax basis values and the future income tax rate at which these differences will be realized.

Actual results could differ from estimates.

3. NEW ACCOUNTING POLICIES AND CHANGES TO ACCOUNTING POLICIES

a) New Accounting Policies

Certain new IFRSs which are related to annual periods beginning January 1, 2013 or later as discussed below:

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 IAS 32 Financial Instruments: Presentation ("IAS32") and for financial assets that are subject to 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 assessed the impact of IFRS 7 and determined that the adoption did not result in any change on the condensed consolidated 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.

IAS 27 Consolidated and Separate 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 assessed these amendments and determined that the adoption did not result in any change on the consolidated 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 Interests In Joint Ventures ("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.

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. The Corporation assessed these amendments and determined that the adoption did not result in any change on the consolidated 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 assessed IFRS 12 and determined that the adoption did not result in any change on the consolidated financial statements.

IFRS 13 – Fair Value Measurement – Effective January 1, 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. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Corporation assessed IFRS 13 and determined that the adoption did not have a significant effect on the consolidated financial statements.

IAS 19 – Employee Benefits – Effective January 1, 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 assessed IAS 19 and determined that the adoption of the amendments did not result in any change on the consolidated financial statements.

b) Future Accounting Policies

Certain new IFRSs which are related to accounting periods beginning January 1, 2014 or later are not expected to have a significant effect on the consolidated financial statements. The following accounting policies have not yet been adopted by Mainstreet.

IFRS 9 – Financial Instruments – Effective for periods beginning on or after January 1, 2018

The IASB has undertaken a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") with IFRS 9 Financial Instruments ("IFRS 9"). In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. In November 2013, the IASB issued the third phase of IFRS 9 which details the new general hedge accounting model. Hedge accounting remains optional and the new model is intended to allow reporters to better reflect risk management activities in the financial statements and provide more opportunities to apply hedge accounting. IFRS 9 is still available for early adoption. The full impact of the standard on the Company's financial statements will not be known until the project is complete.

IFRIC 21 – Levies – Effective for annual periods beginning on or after January 1, 2014

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") and those where the timing and amount of the levy is certain. It defines the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Corporation is currently evaluating the impact of the new interpretation on its financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Corporation is currently evaluating the impact of the new interpretation 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. Three of the properties were disposed of in January 2013 and the remaining property was disposed of in January 2014.

Assets classified as held for sale

September 30,	2014	2013
Investment properties	\$ –	\$ 21,850
Property, plant and equipment	–	5
Prepaid assets	–	197
Trade and other receivables	–	31
Balance, end of year	\$ –	\$ 22,083

Liabilities classified as held for sale

September 30,	2014	2013
Non-current mortgage payable	\$ –	\$ 14,716
Deferred tax liabilities	–	1,323
Current mortgage payable	–	440
Trade and other payables	–	437
Balance, end of year	\$ –	\$ 16,916

Results of discontinued operations

Year ended September 30,	2014	2013
Rental revenue	\$ 919	\$ 4,185
Ancillary rental income	22	130
	941	4,315
Property operating expenses	656	2,290
Net operating income	285	2,025
Interest income	–	19
	285	2,044
Mortgage interest	185	988
Amortization of financing cost	37	332
General and administrative expenses	143	661
Depreciation	1	2
	366	1,983
(Loss) profit from discontinued operations before loss on disposition, fair value losses and income tax (recovery) expense	(81)	61
Loss on disposition	(583)	(666)
Fair value losses	(223)	(2,044)
Loss before income tax expense	(887)	(2,649)
Income tax recovery	(691)	(3,439)
(Loss) Profit from discontinued operations	\$ (196)	\$ 790
Basic (loss) profit per share	\$ (0.02)	\$ 0.08
Diluted (loss) profit per share	\$ (0.02)	\$ 0.07

Cash flows from discontinued operations

Year ended September 30,	2014	2013
Net cash used in operating activities	\$ (252)	\$ (909)
Net cash used in financing activities	(37)	(799)
Net cash from investing activities	5,892	20,993
Net cash from discontinued operations	\$ 5,603	\$ 19,285

5. INVESTMENT PROPERTIES

September 30,	2014	2013
Balance, beginning of year	\$ 1,127,695	\$ 982,565
Additions	62,884	74,940
Building improvements	11,852	10,718
Fair value gains	56,579	59,472
Balance, end of year	\$ 1,259,010	\$ 1,127,695

The fair value of investment properties held by the Corporation as of September 30, 2014 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, 2014.

The fair value of Mainstreet's investment properties as of September 30, 2014, was determined by the following qualified appraisers:

Location	Name of Appraisers	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

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

September 30,	2014	2013
Surrey, BC	5.44%	5.46%
Abbotsford, BC	5.37%	5.29%
Calgary, Alberta	4.64%	4.88%
Edmonton, Alberta	5.68%	5.79%
Saskatoon, Saskatchewan	6.58%	6.90%
	5.40%	5.53%
Asset classified as held for sale – Greater Toronto Area, Ontario	–	6.18%

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 average Cap Rate on the Corporation's fair values.

As at September 30, 2014

Net operating income	-3%	-1%	As estimated	+1%	+3%
	\$ 65,947	\$ 67,307	\$ 67,987	\$ 68,666	\$ 70,026
Capitalization rate					
-0.25%	5.15%	\$ 21,513	\$ 47,916	\$ 61,117	\$ 74,318
Cap rate used	5.40%	\$ (37,770)	\$ (12,590)	\$ 1,259,010	\$ 12,590
+0.25%	5.65%	\$ (91,807)	\$ (67,741)	\$ (55,708)	\$ (43,675)

As at 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)

As at September 30, 2013, the fair value of the property in Ontario included in assets classified as held for sale was determined by the actual selling price.

Investment properties with a fair value of \$1,113 million (September 30, 2013 – \$1,071 million) are pledged as security against the Corporation's mortgages payable.

For the year ended September 30, 2014, investment properties earned rental income (excluding ancillary rental income) of \$89 million (2013 – \$77 million) from continuing operations.

For the year ended September 30, 2014, operating expenses relating to investment properties were \$30 million (2013 – \$ 26 million) from continuing operations.

6. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2014			September 30, 2013		
	Cost	Accum. Deprec.	Net book value	Cost	Accum. Deprec.	Net book value
Admin.						
Land and building	\$ 4,439	\$ 408	\$ 4,031	\$ 4,352	\$ 276	\$ 4,076
Equipment	\$ 104	\$ 32	\$ 72	\$ 63	\$ 23	\$ 40
Furniture	\$ 184	\$ 80	\$ 104	\$ 184	\$ 56	\$ 128
Vehicles	\$ 169	\$ 85	\$ 84	\$ 164	\$ 41	\$ 123
Computer	\$ 1,507	\$ 1,029	\$ 478	\$ 1,304	\$ 874	\$ 430
Assets classified as held for sale	\$ –	\$ –	\$ –	\$ (23)	\$ (18)	\$ (5)
	\$ 6,403	\$ 1,634	\$ 4,769	\$ 6,044	\$ 1,252	\$ 4,792

The change of the carrying amount of the property, plant and equipment for the year ended September 30, 2014 was as follows:

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Admin.					
Land and building	\$ 4,076	\$ 86	\$ –	\$ (131)	\$ 4,031
Equipment	\$ 40	\$ 42	\$ –	\$ (10)	\$ 72
Furniture	\$ 128	\$ 1	\$ –	\$ (25)	\$ 104
Vehicles	\$ 123	\$ 28	\$ (14)	\$ (53)	\$ 84
Computer	\$ 430	\$ 209	\$ (5)	\$ (156)	\$ 478
Assets classified as held for sale	\$ (5)	\$ –	\$ 5	\$ –	\$ –
	\$ 4,792	\$ 366	\$ (14)	\$ (375)	\$ 4,769

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.					
Land and 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

7. PREPAID ASSETS

Prepaid assets comprise prepaid expenses and utility deposits:

September 30,	2014	2013
Prepaid expenses	\$ 1,157	\$ 956
Utility deposits	\$ 17	\$ 21
	\$ 1,174	\$ 977

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,	2014	2013
Trade receivables	\$ 248	\$ 334
Other receivables	\$ 912	\$ 1,132
	\$ 1,160	\$ 1,466

9. INVENTORY

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

September 30,	2014	2013
Inventory	\$ 455	\$ 306

10. MORTGAGE RECEIVABLE

Mortgage receivable represents a vendor-take-back loan of \$2.5 million (September 30, 2013 – \$2.5 million) 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 December 1, 2016.

11. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 3.95% (September 30, 2013 – 4.17%) per annum and are payable in monthly principal and interest installments totaling \$2.9 million (September 30, 2013 – \$2.9 million), maturing from 2014 to 2025 and are secured by specific charges against specific investment properties, having a fair value of \$1,113 million (September 30, 2013 – \$1,093 million).

September 30,	2014	2013
Non-current	\$ 518,468	\$ 450,262
Current	61,069	104,354
	\$ 579,537	\$ 554,616

Estimated principal payments required to retire the mortgage obligations as of September 30, 2014 are as follows:

12 months ending September 30,	Amount
2015	\$ 62,874
2016	56,971
2017	36,899
2018	35,066
2019	32,569
Subsequent	367,283
	591,662
Current deferred financing cost	(1,804)
Non-current deferred financing cost	(10,321)
	\$ 579,537

12. INCOME TAX EXPENSE

Income tax expense comprise:

Year ended September 30,	2014	2013
Deferred	\$ 15,045	\$ 15,689

No current or deferred income taxes were recognized in equity for the years ended September 30, 2014 and 2013. 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,	2014	2013
Profit from continuing operations before income tax	\$ 81,816	\$ 78,175
Non taxable income/(expenses)	\$ 28,207	\$ 29,618
	\$ 53,609	\$ 48,557
Statutory tax rate	25.35%	25.26%
Computed expected tax	\$ 13,590	\$ 12,265
Discontinued operations	\$ 691	\$ 3,439
UCC adjustment	\$ 1,666	\$ –
Financing cost adjustment	\$ (333)	\$ –
Reduction in deferred tax liabilities for change in future tax rate	\$ (168)	\$ 91
Others	\$ (401)	\$ (106)
	\$ 15,045	\$ 15,689

As of September 30, 2014 and September 30, 2013, the Corporation does not have any unrecognized deductible temporary differences.

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

	September 30, 2013	Recognized in profit	September 30, 2014
Deferred tax liabilities			
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	\$ 82,341	\$ 14,641	\$ 96,982
Differences in tax and book carrying amounts of deferred financing cost	\$ 1,137	\$ (287)	\$ 850
Deferred tax liabilities for discontinued operations	\$ (1,323)	\$ 691	\$ (632)
Deferred tax liabilities adjusted from discontinued operation to continuing operations	\$ –	\$ –	\$ 632
Deferred tax liabilities for continuing operations	\$ 82,155	\$ 15,045	\$ 97,832

	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

13. TRADE AND OTHER PAYABLES

Trade and other payable comprise trade payables, accrued liabilities and deferred revenue:

	September 30, 2014	September 30, 2013
Trade payables and accrued liabilities	\$ 6,155	\$ 7,986
Deferred revenue	\$ 109	\$ 55
	\$ 6,264	\$ 8,041

14. REFUNDABLE SECURITY DEPOSITS

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

15. BANK INDEBTEDNESS

Effective January 2014, the Corporation has been granted a new banking facility to a maximum of \$85 million with a syndicated chartered financial institution. The facility is secured by a floating charge against the Corporation's assets and carries an interest rate of prime plus 1.25%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lenders and the Corporation. As at September 30, 2014, the Corporation has drawn \$22.5 million (September 30, 2013 – \$2.9 million under the old banking facility) against this credit facility.

The facility contains financial covenant to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service coverage ratio of not less than 1.2. As at September 30, 2014, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio and 48% and 1.44 respectively.

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:

	Year ended September 30, 2014		Year ended September 30, 2013	
	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding, beginning of the period	10,465,281	\$ 28,541	10,465,281	\$ 28,403
Shares purchase loan reduction	–	80	–	120
Exercise of stock options	3,800	21	–	–
Transfer from contributed surplus	–	14	–	18
Issued and outstanding, end of the period	10,469,081	\$ 28,656	10,465,281	\$ 28,541

All common shares share an equal right to dividends.

The Corporation has obtained approval from the Toronto Stock Exchange ("TSX") to continue to repurchase common shares of the Corporation under a Normal Course Issuer Bid commencing April 20, 2014. The Corporation's previous Normal Course Issuer Bid expired February 22, 2014. During the years ended September 30, 2014 and 2013, no common shares were repurchased and cancelled by the Corporation.

17. PROFIT (LOSS) PER SHARE

Basic profit(loss) per share is calculated using the weighted average number of shares outstanding during the period.

The treasury stock method of calculating the diluted profit per share is used.

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,	2014	2013
Numerator		
Net Profit	\$ 66,575	\$ 63,276
Denominator		
For basic profit per share		
Weighted average shares	10,467,718	10,465,281
Dilutive effect	710,494	694,666
For diluted profit per share	11,178,212	11,159,947
Profit per share		
– basic	\$ 6.36	\$ 6.05
– diluted	\$ 5.95	\$ 5.67

18. STOCK OPTION PLAN

A summary of the Corporation's stock option plan as of September 30, 2014 and September 30, 2013 and changes during the period are presented below:

Stock option	September 30, 2014		September 30, 2013	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding and exercisable, beginning of the year	\$ 832,000	\$ 5.51	837,000	\$ 5.51
Exercised	3,800	\$ 5.51	–	–
Cancelled	–	–	5,000	–
Outstanding and exercisable, end of the year	828,200	\$ 5.51	832,000	\$ 5.51
Weighted average contractual life-years	4.44		5.44	
The range of exercise prices	\$ 5.51		\$ 5.51	

During the year ended September 30, 2014, a director of the Corporation exercised 3,800 stock options at the exercise price of \$5.51.

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:

(000s of dollars)

		September 30, 2014		September 30, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Restricted cash	Level 1	\$ 2,993	\$ 2,993	\$ 2,797	\$ 2,797
Cash and cash equivalents	Level 1	1,041	1,041	1,825	1,825
Trade and other receivables	Level 1	1,160	1,160	1,466	1,466
Mortgage receivable	Level 2	2,500	2,500	2,500	2,500
Financial liabilities:					
Bank indebtedness	Level 1	22,457	22,457	2,874	2,874
Mortgages payable	Level 2	579,537	612,314	554,616	574,778
Trade and other payables	Level 1	6,264	6,264	8,041	8,041
Refundable security deposits	Level 1	\$ 3,965	\$ 3,965	\$ 3,468	\$ 3,468

The Corporation's non-financial assets comprise investment properties. The fair values of non-financial assets were as follows:

(000s of dollars)

		September 30, 2014		September 30, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets:					
Investment properties	Level 3	\$1,259,010	\$1,259,010	\$ 1,127,695	\$ 1,127,695

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 and, accordingly, the fluctuation in the fair value is therefore minimal.

Interest rate risk

The Corporation is exposed to interest rate risk to the extent of any upward or downward revision in prime lending rates. Mortgages totaling \$52 million are subject to renewal before the financial year ending September 30, 2015. Changes 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 for its mortgages. The majority of the Corporation'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, 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 \$225,000 in interest expense for the year ended 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, 2014, rents due from current tenants amounted to \$249,000 (September 30, 2013 – \$365,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$4.0 million (September 30, 2013 – \$3.5 million) and provisions for bad debts of \$100,000 (September 30, 2013 – \$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	\$ 62,874	\$ 56,971	\$ 36,899	\$ 35,066	\$ 399,852	\$ 591,662
Mortgage interest payable	\$ 22,548	\$ 19,838	\$ 17,502	\$ 15,051	\$ 55,196	\$ 130,135
Bank indebtedness	\$ 22,457	–	–	–	–	\$ 22,457
Trade and other payables	\$ 6,264	–	–	–	–	\$ 6,264
Refundable security deposits	\$ 3,965	–	–	–	–	\$ 3,965

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 or commitments in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") that contingently require 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, 2014 and September 30, 2013, 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, 2014 amounted to \$309,000 (2013– \$214,000) 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, 2014 amounting to \$405,000 (2013 – \$200,000), respectively, to a law firm of which a director and officer of the Corporation is a partner. As at September 30, 2014, the amounts payable to the law firm were \$20,000 (September 30, 2013 – \$5,000).
- The Corporation established a one-time plan to assist its directors, officers and employees in purchasing common shares of the Corporation in October 2005. Total loans outstanding – \$Nil as at September 30, 2014 (September 30, 2013 – \$80,000) – were advanced on October 31, 2005. The loans were determined on an exchange value basis and were interest-free and secured by 100,000 (September 30, 2013 – 100,000) common shares of the Corporation purchased by the participants. The market value of the common shares at September 30, 2014 was \$40.70 (September 30, 2013 – \$30.19) per share. The original payment term of the loan was on October 31, 2009. The payment terms were revised to 20 quarterly payments effective January 1, 2010. As such, the loan amounts were 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, 2014, 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 was as follows:

Year ended September 30,	2014	2013
Short-term benefits	\$ 2,455	\$ 2,511

In addition, there are 772,000 option-based awards outstanding at the end of the financial year ended September 30, 2014 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 continuing operations by geographic location:

RENTAL OPERATIONS

(000s of dollars)

Year ended September 30,	2014	2013
BRITISH COLUMBIA		
Rental revenue	\$ 20,027	\$ 18,753
Ancillary rental income	305	306
Fair value gains	1,524	703
Property operating expenses	7,605	6,759
ALBERTA		
Rental revenue	\$ 59,409	\$ 50,287
Ancillary rental income	978	815
Fair value gains	46,436	51,186
Property operating expenses	19,757	16,850
SASKATCHEWAN		
Rental revenue	\$ 9,633	\$ 7,918
Ancillary rental income	94	111
Fair value gains	8,619	7,583
Property operating expenses	2,985	2,548
TOTAL		
Rental revenue	\$ 89,069	\$ 76,958
Ancillary rental income	1,377	1,232
Fair value gains	56,579	59,472
Property operating expenses	30,347	26,157
Unallocated revenue*	129	31
Unallocated expenses**	(50,036)	(49,050)
Discontinued operations	(196)	790
Profit for the year	\$ 66,575	\$ 63,276

* 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

(000s of dollars)

September 30,	2014	2013
BRITISH COLUMBIA		
Investment properties	\$ 285,200	\$ 258,975
Property, plant and equipment	\$ 18	\$ 14
Mortgages payable	\$ 143,194	\$ 142,277
Refundable security deposits	\$ 1,019	\$ 897
ALBERTA		
Investment properties	\$ 855,435	\$ 768,545
Property, plant and equipment	\$ 4,744	\$ 4,769
Mortgages payable	\$ 368,954	\$ 365,814
Refundable security deposits	\$ 2,484	\$ 2,214
SASKATCHEWAN		
Investment properties	\$ 118,375	\$ 100,175
Property, plant and equipment	\$ 7	\$ 9
Mortgages payable	\$ 67,389	\$ 46,525
Refundable security deposits	\$ 462	\$ 357
TOTAL		
Investment properties	\$ 1,259,010	\$ 1,127,695
Property, plant and equipment	\$ 4,769	\$ 4,792
Mortgages payable	\$ 579,537	\$ 554,616
Refundable security deposits	\$ 3,965	\$ 3,468

IDENTIFIABLE CAPITAL EXPENDITURES

(000s of dollars)

Year ended September 30,	2014	2013
BRITISH COLUMBIA	\$ 24,701	\$ 3,185
ALBERTA	\$ 40,454	\$ 76,880
SASKATCHEWAN	\$ 9,581	\$ 5,467
TOTAL – Identifiable capital expenditures	\$ 74,736	\$ 85,532

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, 2014 amounted to \$1,165 million (September 30, 2013 – \$1,054 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 adjustments 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:

(000s of dollars)

September 30,	2014	2013
Mortgages payable	\$ 579,537	\$ 554,616
Bank indebtedness	22,457	2,874
Total equity	563,047	496,371
Total capital	\$ 1,165,041	\$ 1,053,861

The Corporation's policy for capital risk management is to keep a debt to fair value of investment properties ratio, as defined below, of no greater than 70%. The ratio as at September 30, 2014 is approximately 48% (September 30, 2013 – 49%) which leaves a sufficient additional capacity for the Corporation to raise additional funds from refinancing before it reaches its internal target ratio of 70%.

The debt to market value ratios were as follows:

(000s of dollars)

September 30,	2014	2013
Mortgages payable	\$ 579,537	\$ 554,616
Bank indebtedness	22,457	2,874
Total debts	\$ 601,994	\$ 557,490
Investment properties	\$ 1,259,010	\$ 1,127,695
Debt to fair value ratio	48%	49%

In managing the capital requirements of the Corporation, management makes assessments of the capital and liquid resources required to ensure the going concern status 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 year end date, the Corporation acquired 2 properties consisting of 48 units of residential apartments in Saskatoon for total cash consideration of \$4.6 million on October 15 and November 18, 2014 respectively.

27. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on December 5, 2014.

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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Montreal Trust Company
of Canada
#600, 530 – 8 Ave SW
Calgary, AB

AUDITORS

Deloitte LLP
3000 Scotia Centre
700 – 2 St SW
Calgary, AB

SOLICITORS

Warren Benson Amantea
LLP
1413 – 2 St SW
Calgary, AB

Borden, Ladner & Gervais
1000 Canterra Tower
400 Third Ave SW
Calgary, AB

BANKERS

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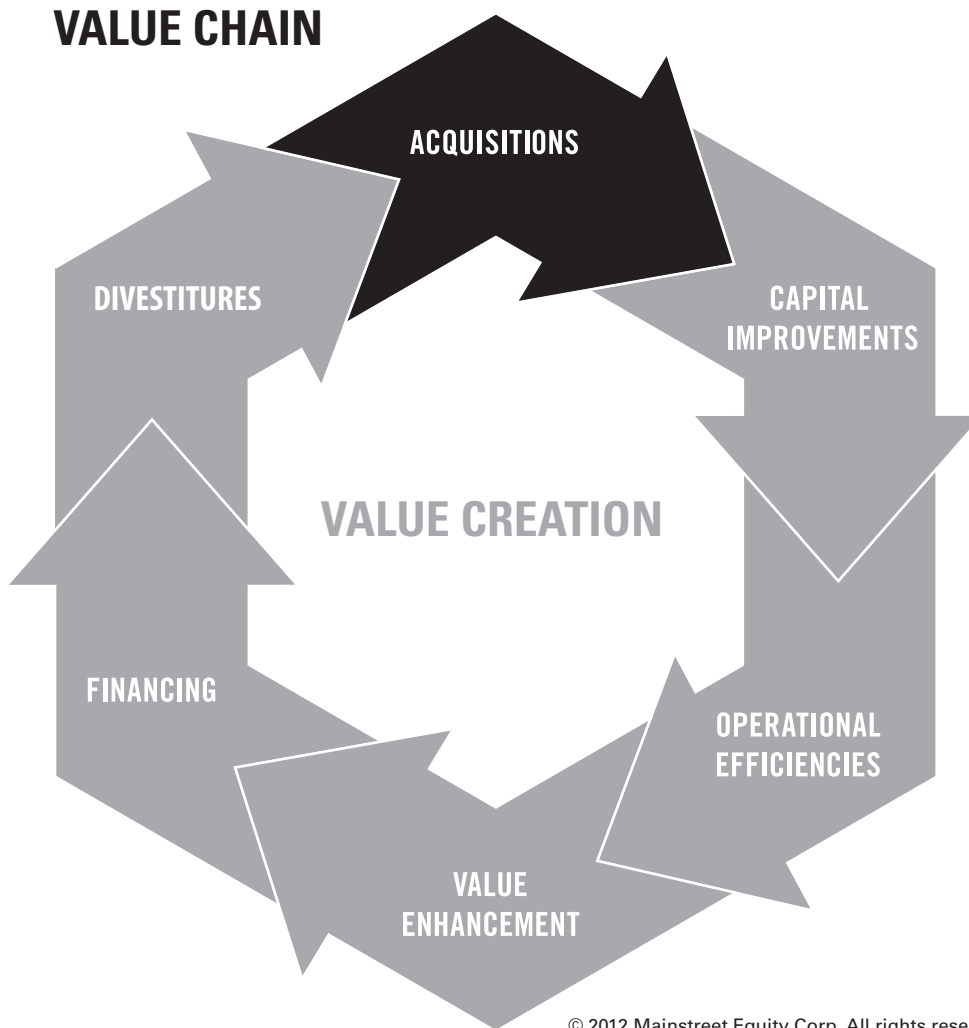
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Twitter: @MEQ_IR

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 8,828 units (YTD) with appraised values of approximately \$1.3 billion with minimal equity dilution.**