

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 12, 2017

(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, 2017 and September 30, 2016, and the consolidated statements of net income and total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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, 2017 and September 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
December 12, 2017
Calgary, Alberta

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$000s of Canadian dollars)

Year ended September 30,	Note	2017	2016
Non-current assets			
Investment properties	4	\$ 1,632,235	\$ 1,460,080
Property, plant and equipment	5	5,235	4,822
Intangible assets	6	564	423
		1,638,034	1,465,325
Current assets			
Prepaid assets	7	1,639	1,774
Current income tax receivable		110	1,261
Trade and other receivables	8	1,004	1,614
Restricted cash	14	2,730	2,858
Inventory	9	244	338
Mortgage receivable	10	–	2,500
Cash and cash equivalents		24,767	1,095
		30,494	11,440
Total assets		\$ 1,668,528	\$ 1,476,765
Liabilities			
Non-current liabilities			
Mortgages payable	11	\$ 826,116	\$ 666,824
Deferred tax liabilities	12	140,554	123,162
		966,670	789,986
Current liabilities			
Mortgages payable	11	13,865	47,657
Trade and other payables	13	6,912	6,898
Refundable security deposits	14	4,108	4,100
Bank indebtedness	15	–	40,148
		24,885	98,803
Total liabilities		991,555	888,789
Equity			
Share capital	16	24,225	24,315
Contributed surplus		2,382	2,404
Retained earnings		650,366	561,257
Total equity		676,973	587,976
Total liabilities and equity		\$ 1,668,528	\$ 1,476,765

See accompanying notes to these consolidated financial statements.

(Signed)

“Bob Dhillon”
Director

December 12, 2017

(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,	Note	2017	2016
Rental revenue		\$ 103,007	\$ 98,869
Ancillary rental income		1,653	1,419
		104,660	100,288
Property operating expenses		\$ 40,294	\$ 36,265
Net operating income		64,366	64,023
Interest income		581	206
		64,947	64,229
Mortgage interest		28,402	26,033
Amortization of deferred financing cost		2,828	2,379
General and administrative expenses		10,265	9,599
Depreciation		414	366
		41,909	38,377
Profit before other items and income tax		23,038	25,852
Fair value gain (loss)	4	82,889	(3,035)
Proceeds from insurance		2,400	—
Profit before income tax		108,327	22,817
Deferred income tax expense	12	17,392	5,646
Net profit and total comprehensive income		\$ 90,935	\$ 17,171
Net profit per share			
Basic	17	\$ 10.25	\$ 1.79
Diluted	17	\$ 9.51	\$ 1.67

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(\$000s of Canadian dollars)

	Note	Share capital	Contributed surplus	Retained earnings	Total shareholders equity
Balance, October 1, 2015		\$ 28,114	\$ 2,404	\$ 589,888	\$ 620,406
Shares purchased for cancellation		(3,799)	–	(45,802)	(49,601)
Profit for the year		–	–	17,171	17,171
Balance, September 30, 2016		24,315	2,404	561,257	587,976
Balance, October 1, 2016		24,315	2,404	561,257	587,976
Shares purchased for cancellation	16	(147)	–	(1,826)	(1,973)
Exercise of stock option		57	(22)	–	35
Profit for the year		–	–	90,935	90,935
Balance, September 30, 2017		\$ 24,225	\$ 2,382	\$ 650,366	\$ 676,973

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(\$000s of Canadian dollars)

Year ended September 30,	Note	2017	2016
Cash obtained from (used in) operating activities			
Net profit		\$ 90,935	\$ 17,171
Adjustments for:			
Amortization of deferred financing cost		2,828	2,379
Depreciation		414	366
Fair value (gain) loss		(82,889)	3,035
Deferred income tax expense		17,392	5,646
Mortgage interest		28,402	26,033
Interest paid on mortgages payable		(28,402)	(26,026)
		28,680	28,604
Change in working capital			
Prepaid assets		135	147
Current income tax receivable		1,151	(1,261)
Trade and other receivables		610	(770)
Inventory		94	124
Restricted cash		128	194
Mortgage receivable		2,500	–
Trade and other payables		(7)	(1,265)
Refundable security deposits		8	(117)
Cash from operating activities		33,299	25,656
Financing activities			
Bank indebtedness		(40,148)	3,239
Financing of investment properties		193,468	148,627
Repayment of mortgages payable		(83,392)	(71,686)
Repurchase of shares		(1,916)	(49,601)
Exercise of stock option		(22)	–
Cash from financing activities		67,990	30,579
Investing activities			
Purchase of and additions to investment properties	4	(76,649)	(56,048)
Purchase of and additions to property, plant and equipment		(827)	(467)
Purchase of and additions to intangible assets		(141)	(151)
Cash used in investing activities		(77,617)	(56,666)
Net increase (decrease) in cash and cash equivalents		23,672	(431)
Cash and cash equivalents, beginning of year		1,095	1,526
Cash and cash equivalents, end of year		\$ 24,767	\$ 1,095
Cash and cash equivalents are comprised of:			
Cash (overdraft)		\$ 706	\$ (177)
Short-term deposits		24,061	1,272
		\$ 24,767	\$ 1,095

See accompanying notes to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2017 and 2016

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

1. GENERAL

Mainstreet Equity Corp. ("Mainstreet" or the "Corporation") is a Canadian real estate corporation, incorporated under the Business Corporations 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, 2 Street SW, Calgary, Alberta T2R 0W7 and 305, 10 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 Chartered Professional Accountants Canada ("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.

Realized gain or loss from the sale of investment properties is recognized in the period of disposal.

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 is 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 outlined above.

f) 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. From time to time 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.

g) Property, plant and equipment ("PPE")

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 require or permit a different accounting treatment, are recorded using the cost model in accordance with IAS 16 – Property, Plant and Equipment ("IAS 16") which requires, after initial recognition, that the tangible assets be carried at their cost 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 Life, not Exceeding 40 Years	Straight Line
Building Improvements	20% – 40%	declining balance
Equipment	4% – 30%	declining balance
Furniture	20%	declining balance
Vehicle	40%	declining balance
Computer and Software	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").

h) 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).

i) 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 changes in estimates in respect of previous periods. Taxable profit differs from profit as reported in the statement of net 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 tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability settled, based on tax rates and laws that have been enacted or substantively enacted at the reporting date. In addition, deferred income tax assets and liabilities are measured using the rate that is consistent with the expected manner of recovery (i.e. using the asset versus selling the asset). Where applicable, current and deferred income taxes relating to items recognized directly in equity or comprehensive income are also recognized directly in equity or comprehensive income, respectively.

j) 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.

k) Financial instruments

Financial instruments are initially recognized at fair values. Transaction 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> <p>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 a 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 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>	<p>Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.</p> <p>Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.</p>
Held-to-maturity	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity.	Measured at amortized cost using the effective interest rate method less impairment (see footnote 1 and 2).
Available for sale	Non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivable, (b) held-to-maturity investments or (c) financial assets at FVTPL	Measured at fair value through other comprehensive income.
Loans and receivables	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).

Note (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.

Note (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 receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost

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

Financial liabilities

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

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

Note (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.

l) 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.

m) 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.

n) 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.

o) Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 2(p) 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 obtaining 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 useful lives for the PPEs based on their estimated useful lives;
- iv) Assessing potential impairments based on management's judgment of whether there are sufficient internal and external factors that indicate that the Corporation's administrative assets are impaired;
- v) Determining the nature of expenses to be capitalized as capital improvement; and
- vi) 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.

p) 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 4 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 of mortgages for similar loans with similar credit ratings and the same maturities;
- iii) Significant estimates used in determining the fair value of share-based compensation include the estimated risk free interest rate, expected life of the stock options, expected volatility rate and expected dividend rates;
- iv) Allocation of purchase cost in the acquisition of investment properties, property, plant and equipment into different components, estimation of their useful life and impairment on property, plant and equipment; and
- v) 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

The new IFRS policies which are effective for annual periods beginning on or after January 1, 2018 are discussed below:

Certain new IFRSs which are related to accounting periods beginning on January 1, 2018 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

On October 1, 2018, the Corporation will be required to adopt IFRS 9 "Financial Instruments", which is the result of the first phase of the International Accounting Standards Board ("IASB") project to replace IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives". 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. Amendments to IFRS 7 "Financial Instruments: Disclosures" will also be required to be adopted by the Corporation simultaneously with IFRS 9. The Corporation is currently evaluating the impact of the new standard on its financial statements.

IFRS 15 – Revenue from contracts with customers – Effective for periods beginning on or after January 1, 2018

On October 1, 2018, the Corporation will be required to adopt IFRS 15 "Revenue from Contracts with Customers". IFRS 15 was issued in May 2014 and will replace IAS 11 "Construction Contracts", IAS 18 "Revenue Recognition", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 and financial instruments and other contractual rights or obligations within the scope of IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements". In addition

to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the Corporation's ordinary activities. The Corporation is currently evaluating the impact of the new standard on its financial statements.

IFRS 16 – Leases – Effective for periods beginning on or after January 1, 2019

The new standard on leases supersedes IAS 17, Leases and related interpretations. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17. From a lessor perspective, the accounting remains similar to current practice of classifying leases as finance and operating leases. The Corporation is currently evaluating the impact of the new standard on its financial statements.

4. INVESTMENT PROPERTIES

Year ended September 30,	2017	2016
Balance, beginning of year	\$ 1,460,080	\$ 1,386,035
Additions related to acquisitions	65,630	63,938
Building improvements	23,636	13,142
Fair value gain (loss)	82,889	(3,035)
Balance, end of year	\$ 1,632,235	\$ 1,460,080

The fair value of investment properties held by the Corporation as of September 30, 2017 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, 2017.

The fair value of Mainstreet's investment properties as of September 30, 2017, 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 – Stephanie Bird Edmonton – Alison McGavigan, Ryan Miller	AACI, P.App.	Colliers International
Saskatoon	Stephanie Bird	AACI, P.App.	Colliers International

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

Year ended September 30,	2017	2016
Surrey, BC	4.05%	4.56%
Abbotsford, BC	4.70%	5.13%
Calgary, AB	4.81%	4.86%
Edmonton, AB	5.74%	5.92%
Saskatoon, SK	6.64%	6.77%
	5.17%	5.41%

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, 2017

		-3%	-1%	As estimated	+1%	+3%
Net operating income						
	\$	81,930	\$ 83,619	\$ 84,464	\$ 85,309	\$ 86,998
Capitalization rate						
-0.25%	4.92%	\$ 33,011	\$ 67,345	\$ 84,513	\$ 101,680	\$ 136,015
Cap rate used	5.17%	\$ (47,514)	\$ (14,839)	\$ 1,632,235	\$ 17,835	\$ 50,510
+25%	5.42%	\$ (120,610)	\$ (89,442)	\$ (73,859)	\$ (58,275)	\$ (27,107)

As at September 30, 2016

		-3%	-1%	As estimated	+1%	+3%
Net operating income						
	\$	76,621	\$ 78,200	\$ 78,990	\$ 79,780	\$ 81,360
Capitalization rate						
-0.25%	5.16%	\$ 24,816	\$ 55,432	\$ 70,740	\$ 86,049	\$ 116,665
Cap rate used	5.41%	\$ (43,802)	\$ (14,601)	\$ 1,460,080	\$ 14,601	\$ 43,802
+25%	5.66%	\$ (106,359)	\$ (78,447)	\$ (64,491)	\$ (50,535)	\$ (22,624)

Investment properties with a fair value of \$1,496 million (September 30, 2016 – \$1,282 million) are pledged as security against the Corporation's mortgages payable.

For the year ended September 30, 2017, investment properties earned rental income (excluding ancillary rental income) of \$103.0 million (2016 – \$98.9 million).

For the year ended September 30, 2017, operating expenses relating to investment properties were \$40.3 million (2016 – \$36.3 million).

5. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2017			September 30, 2016		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 2,159	\$ –	\$ 2,159	\$ 2,080	\$ –	\$ 2,080
Building	2,959	817	2,142	2,616	669	1,947
Equipment	237	96	141	161	69	92
Furniture	479	223	256	442	161	281
Vehicles	223	175	48	194	156	38
Computers	1,976	1,487	489	1,718	1,334	384
	\$ 8,033	\$ 2,798	\$ 5,235	\$ 7,211	\$ 2,389	\$ 4,822

The change of the carrying amount of the property, plant and equipment for the year ended September 30, 2017 was as follows:

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Land	\$ 2,080	\$ 79	\$ –	\$ –	\$ 2,159
Building	1,947	343	–	(148)	2,142
Equipment	92	76	–	(27)	141
Furniture	281	37	–	(62)	256
Vehicles	38	35	(6)	(19)	48
Computers	384	258	–	(153)	489
	\$ 4,822	\$ 828	\$ (6)	\$ (409)	\$ 5,235

The change of the carrying amount of the property, plant and equipment for the year ended September 30, 2016 was as follows:

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Admin					
Land	\$ 2,080	\$ –	\$ –	\$ –	\$ 2,080
Building	1,896	186	–	(135)	1,947
Equipment	79	31	–	(18)	92
Furniture	216	118	–	(53)	281
Vehicles	49	17	(2)	(26)	38
Computers	401	117	–	(134)	384
	\$ 4,721	\$ 469	\$ (2)	\$ (366)	\$ 4,822

6. INTANGIBLE ASSETS

The carrying amount of the intangible asset was as follows:

	September 30, 2017			September 30, 2016		
	Cost	Additions	Net book value	Cost	Additions	Net book value
Software under development	\$ 423	\$ 141	\$ 564	\$ 272	\$ 151	\$ 423

7. PREPAID ASSETS

Prepaid assets comprise prepaid expenses and utility deposits:

Year ended September 30,	2017	2016
Prepaid expenses	\$ 1,629	\$ 1,762
Utility deposits	10	12
	\$ 1,639	\$ 1,774

8. TRADE AND OTHER RECEIVABLES

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

Year ended September 30,	2017	2016
Trade receivables	\$ 697	\$ 740
Other receivables	307	874
	\$ 1,004	\$ 1,614

9. INVENTORY

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

Year ended September 30,	2017	2016
Inventory	\$ 244	\$ 338

10. MORTGAGE RECEIVABLE

Mortgage receivable represented a vendor-take-back loan of \$Nil (September 30, 2016 – \$2.5 million) on one of the disposed properties in Ontario. The loan was secured by the said property, bore interest at a rate of 3% per annum, interest payments only until maturity and matured on December 1, 2016. The loan was fully repaid on December 2, 2016.

11. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 3.07% (September 30, 2016 – 3.39%) per annum and are payable in monthly principal and interest installments totaling \$3.6 million (September 30, 2016 – \$3.2 million), maturing from 2017 to 2027 and are secured by specific charges against specific investment properties, having a fair value of \$1,478 million (September 30, 2016 – \$1,282 million).

Year ended September 30,	2017	2016
Non-current	\$ 826,116	\$ 666,824
Current	13,865	47,657
	<u>\$ 839,981</u>	<u>\$ 714,481</u>

Estimated principal payments required to retire the mortgage obligations as of September 30, 2017 are as follows:

Year ended September 30,	Amount
2018	\$ 16,788
2019	44,471
2020	60,016
2021	93,909
2022	59,544
Subsequent	584,435
	<u>859,163</u>
Deferred financing costs	(19,182)
	<u>\$ 839,981</u>

12. DEFERRED INCOME TAX

Income tax expense comprises:

Year ended September 30,	2017	2016
Deferred income tax	\$ 17,392	\$ 5,646

No current or deferred income taxes were recognized in equity for the years ended September 30, 2017 and 2016. 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,	2017	2016
Profit from operations before income tax	\$ 108,327	\$ 22,817
Non taxable income/(expenses)	41,485	(1,562)
	<u>66,842</u>	<u>24,379</u>
Statutory tax rate	26.76%	26.60%
Computed expected tax	17,887	6,485
Increase (decrease) in deferred tax liabilities for changes in future tax rate	(446)	(77)
Other	(49)	(762)
	<u>\$ 17,392</u>	<u>\$ 5,646</u>

As of September 30, 2017 and September 30, 2016, the Corporation does not have any unrecognized deductible temporary differences.

The deferred tax liabilities components and their changes were as follows

Year ended September 30,	2016	Recognized in profit	2017
Deferred tax liabilities			
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	\$ 121,253	\$ 16,937	\$ 138,190
Differences in tax and book carrying amounts of deferred financing cost	1,909	455	2,364
Deferred tax liabilities	\$ 123,162	\$ 17,392	\$ 140,554

Year ended September 30,	2015	Recognized in Profit	2016
Deferred tax liabilities			
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	\$ 115,971	\$ 5,282	\$ 121,253
Differences in tax and book carrying amounts of deferred financing cost	1,545	364	1,909
Deferred tax liabilities	\$ 117,516	\$ 5,646	\$ 123,162

13. TRADE AND OTHER PAYABLES

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

Year ended September 30,	2017	2016
Trade payables and accrued liabilities	\$ 5,706	\$ 5,739
Deferred revenue	1,206	1,159
	\$ 6,912	\$ 6,898

14. REFUNDABLE SECURITY DEPOSITS

Refundable security deposits for Alberta and Saskatchewan 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 was granted a new banking facility to a maximum of \$85 million with a syndicate of chartered financial institutions. The facility is secured by a floating charge against the Corporation's assets and carries an interest rate of prime plus 1.75%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lenders and the Corporation. The Corporation has obtained extension of the maturity date to December 6, 2019. As at September 30, 2017, the Corporation has drawn \$Nil (September 30, 2016 – \$40.1 million) against this credit facility. The facility contains financial covenants to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service ratio of not less than 1.2. As of September 30, 2017, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 51% and 1.30, respectively.

Overall funded debt to gross book value ratio as of September 30, 2017

(000s of dollars except per share amounts)

Total funded debt	
Mortgages payable	\$ 839,981
Gross book value of assets	
Investment properties	\$ 1,632,235
Property, plant and equipment	5,235
	\$ 1,637,470
Overall funded debt to gross book value ratio	51%

Debt service coverage ratio

(000s of dollars)

Earning before interest, tax, depreciation and amortization, and non-recurring earnings and gain for 2017

Net profit	\$	90,935
Add (deduct):		
Mortgage interest		28,402
Income tax		17,392
Depreciation		414
Amortization of deferred financing cost		2,828
Insurance settlement		(2,400)
Fair value (gain)		(82,889)
	\$	54,682
Principal and interest payments	\$	42,021
Debt service coverage ratio		1.30

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, 2017		Year ended September 30, 2016	
	Number of common shares	Amount	Number of common shares	Amount
Issued and outstanding – beginning of the year	8,883,333	\$ 24,315	10,271,251	\$ 28,114
Shares purchased for cancellation	(53,569)	(147)	(1,387,918)	(3,799)
Exercise of stock option	6,200	57	–	–
Issued and outstanding – end of the year	8,835,964	\$ 24,225	8,883,333	\$ 24,315

All common shares have an equal right to dividends.

On April 22, 2016, Mainstreet purchased for cancellation 1.2 million of its common shares at a purchase price of \$36 per common share for an aggregate purchase price of \$43.2 million (not including fees and expenses), pursuant to a substantial issuer bid in accordance with applicable securities laws.

On March 31, 2017, a director of the Corporation exercised 6,200 stock options to purchase 6,200 common shares at the exercise price of \$5.51 per common share.

On May 30, 2017, the Corporation obtained approval from the Toronto Stock Exchange ("TSX") to repurchase up to 479,437 common shares of the Corporation under a Normal Course Issuer Bid ("NCIB") commencing June 1, 2017. The current NCIB expires on May 31, 2018. The Corporation's previous NCIB expired on May 30, 2017. In 2017 and 2016, the Corporation purchased and cancelled 53,569 (2016 – 187,918) common shares under the NCIB at an average price of \$36.83 per common share (2016 – \$32.76), respectively. It is anticipated that the Corporation will make application to the TSX to renew the current NCIB upon expiration thereof.

17. PROFIT PER SHARE

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

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

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,	2017	2016
Numerator		
Net profit	\$ 90,935	\$ 17,171
Denominator		
For basic profit per share		
Weighted average shares	8,870,871	9,568,897
Dilutive effect of stock options	694,239	689,323
For diluted profit per share	9,565,110	10,258,220
Profit per share		
Basic	\$ 10.25	\$ 1.79
Diluted	\$ 9.51	\$ 1.67

18. STOCK OPTION PLAN

A summary of the Corporation's stock option plan as of September 30, 2017 and September 30, 2016 and changes during the period are presented below:

Stock option	September 30, 2017		September 30, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding and exercisable, beginning of the year	828,200	\$ 5.51	828,200	\$ 5.51
Exercised	(6,200)	5.51	–	–
Outstanding and exercisable, end of the year	822,000	\$ 5.51	828,200	\$ 5.51
Weighted average contractual life – years	1.44		2.44	
The range of exercise prices	\$ 5.51		\$ 5.51	

During the fiscal year 2017, a director of the Corporation exercised 6,200 stock options (2016 – Nil). No stock options may be granted under the Corporation's stock option plan after March 24, 2017.

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:

<i>in 000s</i>	September 30, 2017		September 30, 2016		
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Restricted cash	Level 1	\$ 2,730	\$ 2,730	\$ 2,858	\$ 2,858
Cash and cash equivalents	Level 1	24,767	24,767	1,095	1,095
Trade and other receivables	Level 2	1,004	1,004	1,614	1,614
Mortgage receivable	Level 2	–	–	2,500	2,498
Financial liabilities					
Bank indebtedness	Level 1	–	–	40,148	40,148
Mortgages payable	Level 2	839,981	844,147	714,481	769,086
Trade and other payables	Level 2	6,912	6,912	6,898	6,898
Refundable security deposits	Level 1	\$ 4,108	\$ 4,108	\$ 4,100	\$ 4,100

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

<i>in 000s</i>	September 30, 2017		September 30, 2016		
		Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets					
Investment properties	Level 3	\$ 1,632,235	\$ 1,632,235	\$ 1,460,080	\$ 1,460,080

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. 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 not have resulted in any change in interest expense for the year ended September 30, 2017.

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, 2017, rents due from current tenants amounted to \$355,000 (September 30, 2016 – \$336,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$4.1 million (September 30, 2016 – \$4.1 million) and provisions for bad debts of \$130,000 (September 30, 2016 – \$130,000).

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 tier 1 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:

<i>in 000s</i>	1 Year	2 Years	3 Years	4 Years	Beyond 4 years	Total
Mortgages payable	\$ 16,788	\$ 44,471	\$ 60,016	\$ 93,909	\$ 643,979	\$ 859,163
Mortgages interest payable	26,369	25,846	23,927	21,828	64,158	162,128
Trade and other payables	6,912	–	–	–	–	6,912
Refundable security deposits	\$ 4,108	\$ –	\$ –	\$ –	\$ –	\$ 4,108

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 counter party 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, 2017 and September 30, 2016, 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. Except in limited circumstances, these commissions are generally incurred or paid by the other selling party or parties to the transaction. The commissions received during the year ended September 30, 2017 amounted to \$282,000 (2016 – \$173,000) 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, 2017 amounting to \$240,000 (2016 – \$197,500), respectively, to a law firm of which a director and officer of the Corporation is a partner. As at September 30, 2017, the amounts payable to the law firm was \$Nil (2016 – \$600).

23. KEY MANAGEMENT PERSONNEL

Key management personnel of the Corporation during the year ended September 30, 2017, were:

Navjeets (Bob) Dhillon, President and Chief Executive Officer

Johnny C.S. Lam, Chief Operating Officer

Trina Cui, Chief Financial Officer

Sheena Keslick, Vice President Operations

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

Year ended September 30,	2017	2016
Short-term benefits	\$ 3,044	\$ 2,706

The remuneration of the Corporation's key management personnel excludes the commissions of \$282,000 (2016 \$173,000) received by the President and Chief Executive Officer during the year ended September 30, 2017.

In addition, there are 772,000 option-based awards outstanding at the end of the financial year ended September 30, 2017 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,	2017	2016
BRITISH COLUMBIA		
Rental revenue	\$ 29,345	\$ 27,457
Ancillary rental income	510	379
Fair value gain	78,264	29,439
Property operating expenses	\$ 9,534	\$ 9,331
ALBERTA		
Rental revenue	\$ 60,764	\$ 61,258
Ancillary rental income	1,040	965
Fair value gain (loss)	1,652	(31,142)
Property operating expenses	\$ 25,411	\$ 22,905
SASKATCHEWAN		
Rental revenue	\$ 12,898	\$ 10,154
Ancillary rental income	103	75
Fair value gain (loss)	2,973	(1,332)
Property operating expenses	\$ 5,349	\$ 4,029
TOTAL		
Rental revenue	\$ 103,007	\$ 98,869
Ancillary rental income	1,653	1,419
Fair value gain (loss)	82,889	(3,035)
Property operating expenses	40,294	36,265
Unallocated revenue*	2,981	206
Unallocated expenses**	\$ 59,301	\$ 44,023
Profit for the year	\$ 90,935	\$ 17,171

* Unallocated revenue represents interest income and insurance settlement.

** Unallocated expenses include general and administrative expenses, mortgage interest, financing cost, depreciation and income taxes.

IDENTIFIABLE ASSETS AND LIABILITIES

(\$000s of dollars)

Year ended September 30,	2017	2016
BRITISH COLUMBIA		
Investment properties	\$ 482,825	\$ 400,400
Property, plant and equipment	14	19
Mortgages payable	240,236	156,543
Refundable security deposits	\$ 1,330	\$ 1,290
ALBERTA		
Investment properties	\$ 954,710	\$ 892,480
Property, plant and equipment	5,208	4,794
Mortgages payable	494,080	467,555
Refundable security deposits	\$ 2,160	\$ 2,218
SASKATCHEWAN		
Investment properties	\$ 194,700	\$ 167,200
Property, plant and equipment	13	9
Mortgages payable	105,665	90,383
Refundable security deposits	\$ 618	\$ 592
TOTAL		
Investment properties	\$ 1,632,235	\$ 1,460,080
Property, plant and equipment	5,235	4,822
Mortgages payable	839,981	714,481
Refundable security deposits	\$ 4,108	\$ 4,100

IDENTIFIABLE CAPITAL EXPENDITURES

(\$000s of dollars)

Year ended September 30,	2017	2016
BRITISH COLUMBIA	\$ 4,162	\$ 9,917
ALBERTA	61,540	28,044
SASKATCHEWAN	24,535	39,736
TOTAL	\$ 90,237	\$ 77,697

25. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as the aggregate of its shareholders' equity and mortgages payable and, on occasion, bank loans or lines of credit when drawn on. The Corporation's total capital resources as at September 30, 2017 amounted to \$1,517 million (September 30, 2016 – \$1,343 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)

Year ended September 30,	2017	2016
Mortgages payable	\$ 839,981	\$ 714,481
Bank indebtedness	–	40,148
Total equity	676,973	587,976
Total Capital	\$ 1,516,854	\$ 1,342,605

The Corporation's policy for capital risk management is to maintain a debt to fair value of investment properties ratio, as defined below, of no greater than 70%. The ratio as at September 30, 2017 is approximately 51% (September 30, 2016 – 52%) 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 fair value ratios were as follows:

(\$000s of dollars)

Year ended September 30,	2017	2016
Mortgages payable	\$ 839,981	\$ 714,481
Bank indebtedness	–	40,148
Total debts	839,981	754,629
Investment properties	\$ 1,632,235	\$ 1,460,080
Debt to fair value ratio	51%	52%

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 the year ended September 30, 2017, the Corporation has also financed three clear-title properties for \$24 million at an interest rate of 3.05%.

Subsequent to the year end date, the Corporation acquired additional 706 residential units in Saskatoon and Regina Saskatchewan and Edmonton, Alberta, for total consideration of \$78 million.

27. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on December 12, 2017.