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 PwC, 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

[Signed]

"Joe Amantea"
Director

November 30, 2023

Independent auditor's report

To the Shareholders of Mainstreet Equity Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mainstreet Equity Corp. and its subsidiaries (together, the Company) as at September 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at September 30, 2023 and 2022;
- the consolidated statements of net profit and total comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Refer to note 2 – Significant accounting policies and note 3 – Investment properties to the consolidated financial statements.* The Company's total investment properties as at September 30, 2023 were valued at $3.0 billion. Investment properties are initially measured at cost and subsequently recorded at fair value. The fair value is determined through internal and external valuation processes. External valuations are obtained from independent qualified real estate appraisers (management's experts). Internal valuations are based on the same assumptions and valuation techniques used by management's experts. The Company groups its investment properties in each city by their types and geographic locations and selects samples in each group for independent appraisal. The fair values of the samples selected are compared with their carrying values. The fair value of investment properties is determined using the direct capitalization method which requires that an estimated forecasted net operating income (NOI) be divided by a capitalization rate (cap rate). The model requires certain key assumptions and estimates, which include cap rates and NOI for the property. Critical judgments were made by management in respect of these key assumptions and estimates.	Our approach to addressing the matter included the following procedures among others: • Used the work of management's experts in performing the procedures to evaluate the reasonableness of the fair value of investment properties. As a basis for using this work, management experts' competence, capability and objectivity were evaluated, their work performed was understood, and the appropriateness of the experts' work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions and methods and findings. • For a sample of investment properties, tested how management determined fair value, which included the following: - Evaluated the appropriateness of the method used. - Tested the underlying data used in the model. - Evaluated the reasonableness of key assumptions used in determining the grouping of investment properties and inspected management's appraisal schedule to assess the coverage of appraisals across each grouping throughout the year. - Evaluated the reasonableness of cap rates by comparing them to external market and industry data.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the critical judgments required by management, including the use of management's experts, in determining the fair values of the investment properties and the high degree of complexity in assessing audit evidence related to the key assumptions made by management. In addition, the audit effort required the use of professionals with specialized skill and knowledge in the field of real estate valuations.	- Compared the NOI used in the model to accounting records and evaluated, as applicable, whether the forecasted NOI is reasonable considering (i) the current and past leasing activity of the investment properties; (ii) the comparability with external market and industry data; and (iii) whether this assumption was aligned with evidence obtained in other areas of the audit. - Professionals with specialized skill and knowledge in the field of real estate valuations further assisted us in assessing the cap rates by (i) comparing them to externally available market data and (ii) evaluating whether the allocation of cap rates to investment properties is reasonable based on location, current leases in place and the type of investment property.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Harris.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
December 4, 2023

MAINSTREET EQUITY CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(000s of Canadian dollars)

	Sep. 30, 2023	Sep. 30, 2022
Assets		
Non-current assets		
Investment properties [Note 3]	$ 3,051,665	$ 2,817,905
Property and equipment [Note 4]	7,020	7,346
Intangible assets [Note 5]	949	1,031
	3,059,634	2,826,282
Current assets		
Property held for sale [Note 6]	11,994	12,508
Prepaid assets [Note 7]	3,056	2,725
Prepaid current income tax	110	110
Trade and other receivables [Note 8]	1,640	1,547
Restricted cash [Note 9]	4,982	3,901
Inventory [Note 10]	1,814	1,859
Cash and cash equivalents	81,762	44,560
	105,358	67,210
Total Assets	$ 3,164,992	$ 2,893,492
Liabilities		
Non-current liabilities		
Mortgages payable [Note 11]	$ 1,418,783	$ 1,321,072
Deferred tax liabilities [Note 12]	262,016	233,559
	1,680,799	1,554,631
Current liabilities		
Mortgages payable [Note 11]	147,030	112,381
Trade and other payables [Note 13]	10,873	9,909
Refundable security deposits [Note 14]	7,046	5,821
Bank indebtedness [Note 15]		–
	164,949	128,111
Total Liabilities	1,845,748	1,682,742
Equity		
Share capital [Note 16]	26,419	26,441
Retained earnings	1,292,825	1,184,309
Total Equity	1,319,244	1,210,750
Total Liabilities and Equity	$ 3,164,992	$ 2,893,492

See accompanying notes to these consolidated financial statements.

[Signed] [Signed]

"Bob Dhillon", Director "Joe Amantea", Director

November 30, 2023

MAINSTREET EQUITY CORP.

CONSOLIDATED STATEMENTS OF NET PROFIT AND TOTAL COMPREHENSIVE INCOME

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

	Sep. 30, 2023	Sep. 30, 2022
Rental revenue [Note 17]	$ 206,803	$ 178,014
Ancillary revenue	3,225	2,559
Total rental and ancillary revenue	210,028	180,573
Property operating expenses [Note 18]	78,721	70,908
Net operating income	131,307	109,665
Financing costs [Note 19]	47,600	42,475
General and administrative expenses [Note 18]	17,230	14,937
Depreciation	995	919
Interest income	(2,433)	(776)
Profit before change in fair value, gain from disposal and income tax	67,915	52,110
Change in fair value [Note 3]	69,512	86,890
Gain from disposal of assets	443	4,166
Profit before income tax	137,870	143,166
Deferred income tax expense (recovery) [Note 12]	28,457	22,630
Net profit and total comprehensive income	$ 109,413	$ 120,536
Profit per share		
– basic and fully diluted [Note 20]	$ 11.74	$ 12.90

See accompanying notes to these consolidated financial statements.

MAINSTREET EQUITY CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(000s of Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Shareholders' Equity
Balance, October 1, 2021	$ 26,494	$ -	$ 1,065,815	$ 1,092,309
Shares purchased for cancellation	(53)	-	(2,042)	(2095)
Profit for the period	–	-	120,536	120,536
Balance, September 30, 2022	$ 26,441	$ -	$ 1,184,309	$ 1,210,750
Balance, October 1, 2022	$ 26,441	$ -	$ 1,184,309	$ 1,210,750
Shares purchased for cancellation [Note 16]	(22)	-	(897)	(919)
Profit for the period	–	-	109,413	109,413
Balance, September 30, 2023	$ 26,419	$ -	$ 1,292,825	$ 1,139,244

See accompanying notes to these consolidated financial statements.

MAINSTREET EQUITY CORP.

CONSOLIDATED STATEMENTS OF CASHFLOWS

(000s of Canadian dollars)

	Sep. 30, 2023	Sep. 30, 2022
Cash obtained from (used in) operating activities		
Net profit	$ 109,413	$ 120,536
Adjustments for:		
Depreciation	995	919
Change in fair value [Note 3]	(69,512)	(86,890)
Deferred income tax expense [Note 12]	28,457	22,630
Gain from disposal of assets	(443)	(4,166)
Financing costs [Note 19]	47,600	42,475
Deferred financing costs incurred	(6,303)	(6,614)
Interest paid on mortgages [Note 19]	(40,954)	(36,566)
Cash from operating activities before changes in non-cash working capital	69,253	52,324
Change in working capital		
Prepaid assets	(331)	(633)
Trade and other receivables	(93)	(352)
Inventory	45	40
Restricted cash	(1,081)	(256)
Trade and other payables	1,740	1,126
Refundable security deposits	1,225	434
Cash from operating activities	70,758	52,683
Financing activities		
Financing of investment properties	244,894	144,688
Mortgage principal repayments	(28,415)	(27,354)
Mortgage payments upon refinancing	(90,529)	(40,353)
Repurchase of shares	(919)	(2,095)
Cash from financing activities	125,031	74,886
Investing activities		
Purchase of and additions to investment properties [Note 3]	(158,957)	(115,425)
Purchase of and additions to property and equipment	(188)	(566)
Purchase of and additions to intangible assets	(399)	(202)
Proceeds from disposal	1,105	14,164
Purchase of and additions to property held for sale	(148)	(204)
Cash used in investing activities	(158,587)	(102,233)
Net increase in cash and cash equivalents	37,202	25,336
Cash and cash equivalents, beginning of period	44,560	19,224
Cash and cash equivalents, end of period	$ 81,762	$ 44,560
Cash and cash equivalents are comprised of:		
Cash	$ –	$ –
Short-term deposits	81,762	44,560
	$ 81,762	$ 44,560

See accompanying notes to these consolidated financial statements.

1. GENERAL

Mainstreet Equity Corp. (the "Corporation") is a Canadian real estate corporation, incorporated under the Business Corporations Act (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. Navjeet (Bob) Dhillon, President and Chief Executive Officer of the Corporation, owns approximately 46% of the outstanding common shares of the Corporation.

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 as issued by the International Accounting Standards Board ("IFRS").

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 which is the functional currency 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 subsidiary, MEQ Asset Management 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 on a monthly straight line basis 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.

Ancillary revenue 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 40-Investment Property ("IAS 40"). Fair value represents an estimate of the amount at which the properties could be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm's-length transaction at the date of valuation.

Mainstreet's investment properties have been valued on a highest and best use basis and do not include any portfolio premium that may be associated with economies of scale from owning a large portfolio or the consolidation value from having compiled a large portfolio of properties over a long period of time, often through individual property acquisitions. Fair value is determined based on a combination of internal and external valuation 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.

For the Corporation's financial reporting, external valuations were obtained throughout the year from 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. In addition, the Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals. The Corporation grouped its investment properties in each city by their types and geographic locations. Samples were selected in each group for independent appraisal. The appraised values of the samples selected were compared with their carrying values. The percentage changes in values of those samples selected were reviewed and applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of September 30, 2023.

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 change in fair value. 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) Current assets held for resale

Current assets held for resale include assets or groups of assets and liabilities ("disposal groups") that are available for resale 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 a current asset held for resale if the disposal is expected to take place within one year of the acquisition. Assets held for resale are valued at the lower of their carrying amount and fair value less costs to sell, unless they are investment properties accounted for in accordance with the fair value model, in which case they remain at fair value. 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 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 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 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% 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 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) Provisions

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 an interest expense.

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. Subsequent measurement is dependent on the financial instrument's classification.

Financial assets other than equity instruments

Under IFRS 9, Financial assets other than equity instruments are classified and measured at three categories: (i) amortized cost, (ii) fair value through other comprehensive income (FVTOCI), or (iii) fair value through profit and loss (FVTPL).

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

Classification IFRS 9	Definition	Measurement – IFRS 9
Amortized cost	Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.	Measured at amortized cost using the effective interest rate method less any expected credit loss. (See footnote 1 and 2).
FVTPL	Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets.	Measured at fair value with gains or losses recognized in profit or loss.
FVTOCI	Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.	Measured at fair value with gains or losses recognized in other comprehensive income.

Note (1) – The effective interest rate method is a method of calculating the amortized cost of a financial asset 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 using an expected credit loss impairment model, which requires the use of the lifetime expected loss provisions for expected credit losses. Generally, the carrying amount of the financial asset is reduced through the use of an allowance account.

The Corporation's financial assets are as follows:

Financial assets	Classification - IFRS 9
Trade and other receivables	Amortized cost
Restricted cash	Amortized cost
Cash and cash equivalents	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 expected credit loss.

Financial liabilities

Under IFRS 9, Financial liabilities are classified and measured as either amortized cost or FVTPL. Currently, Mainstreet carries all non-derivative financial liabilities at amortized cost. Derivative financial liabilities, if any, are measured at FVTPL:

Classification – IFRS 9	Definition	Measurement – IFRS 9
Amortized cost	If a financial liability is not held-for-trading, a derivative, or designated as FVTPL on initial recognition then it is measured at amortized cost. The classification of a financial liability is irrevocable.	Measured at amortized cost using the effective interest rate method (See footnote 1).

Note (1) - The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest expense 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.

The Corporation’s financial liabilities are as follows:

Financial liabilities	Classification – IFRS 9
Mortgages payable	Amortized cost
Bank indebtedness	Amortized cost
Trade and other payables	Amortized cost
Refundable security deposits	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. Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, short-term interest bearing deposits qualify as a cash equivalent as they have a maturity of 90 days or less from the date of acquisition.

Certain cash balances have restricted use and have been classified as restricted cash on the statement of financial position. Refundable security deposits for Alberta, Manitoba and Saskatchewan are considered as restricted cash as they are held in trust bank accounts and subject to the contingent rights of third parties.

m) Stock option plan

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 can elect to exercise the options by selecting cash settlement, those stock options will be classified as liabilities instead of equity in the financial statements and measured at fair value.

n) Profit (Loss) per share

Basic profit (loss) per share is 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 to measure fair value of investment properties;

ii) Determining the useful lives for the property and equipment based on their estimated useful lives;

iii) 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:

iv) Determining the nature of expenses to be capitalized as capital improvement; and

v) 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, net operating income 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 3 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. Please refer to Note 21;

iii) Allocation of purchase cost in the acquisition of investment properties is based on information from industry practice and entity specific history;

iv) Allocation of purchase cost in the acquisition of property and equipment into different components, estimation of useful life and impairment, are based on information from industry practice and entity specific history; 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. Please refer to Note 12 for detailed analysis.

Actual results could differ from estimates.

q) Government Grants

The Corporation receives government supplement to assist in providing affordable rental suites to low income-earning individuals. Government supplements are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and the grants will be received. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance (“IAS 20”), the supplement is being recognized in rental revenue on a consistent basis and evenly over the periods of the grant that offered to the affordable suites.

3. Investment properties

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Balance, beginning of year	$ 2,817,905	$ 2,616,154
Additions related to acquisitions	138,931	91,772
Building improvements	25,465	23,873
Reclass to property and equipment	–	(580)
Property held for resale	(148)	(204)
Change in fair value	69,512	86,890
Balance, end of year	$ 3,051,665	$ 2,817,905

The Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals. The Corporation groups its investment properties in each city by their types and geographic locations. Samples are selected in each group for independent appraisal. The fair value of the sampled investment properties held by the Corporation as of September 30, 2023 and September 30, 2022, were determined through external valuations obtained from 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 the relevant locations. The appraised values of the samples selected are compared with their appraised values of the previous corresponding financial quarters. The percentage changes in values of those samples selected were reviewed and applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of September 30, 2023 and September 30, 2022. Properties are selected on a rotational basis and approximately 40% of the Corporation’s portfolio is externally valued annually. For the year ended September 30, 2023, a fair value gain of $69.5 million was recorded on the financial statement as a result of changes in the fair value of investment properties based on the most recent market conditions in the reporting periods.

In arriving at a capitalization rate for each property, the Corporation has applied qualitative adjustments to the recent sales of comparable properties in a similar market. The average capitalization rates used in determining the fair value of investment properties are set out below:

	Sep. 30, 2023	Sep. 30, 2022
Lower Mainland, BC	3.77%	3.68%
BC excluding Lower Mainland	4.87%	4.35%
Calgary, Alberta	5.94%	5.07%
Edmonton, Alberta	5.71%	5.42%
Saskatoon, Saskatchewan	5.82%	5.47%
Regina, Saskatchewan	6.01%	5.48%
Winnipeg, Manitoba	5.81%	5.79%
Investment properties-weighted average capitalization rate	5.20%	4.79%

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

As at Sep 30, 2023

Net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 153,738	$ 156,908	$ 158,493	$ 160,078	$ 163,248
Capitalization rate						
-0.25%	4.95%	$ 54,157	$ 118,195	$ 150,214	$ 182,233	$ 246,270
Cap rate used	5.20%	$ (95,161)	$ (34,202)	$ 3,051,665	$ 26,757	$ 87,716
+0.25%	5.45%	$ (230,780)	$ (172,618)	$ (143,537)	$ (114,755)	$ (56,293)

As at September 30, 2022

Net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 130,682	$ 133,377	$ 134,724	$ 136,071	$ 138,766
Capitalization rate						
-0.25%	4.54%	$ 60,559	$ 119,909	$ 149,584	$ 179,259	$ 238,609
Cap rate used	4.79%	$ (89,674)	$ (33,421)	$ 2,817,905	$ 22,831	$ 79,083
+0.25%	5.04%	$ (225,003)	$ (171,541)	$ (144,810)	$ (118,079)	$ (64,617)

Investment properties with a fair value of $2,584 million (September 30, 2022 - $2,486 million) are pledged as security against the Corporation's mortgages payable.

For the year ended September 30, 2023, investment properties earned rental income (excluding ancillary revenue) of $206.8 million (2022 - $178.0 million).

For the year ended September 30, 2023, operating expenses relating to investment properties were $78.7 million (2022 – $70.9 million).

4. PROPERTY AND EQUIPMENT

The carrying amounts of property and equipment were as follows:

(000s of dollars)	September 30, 2023			September 30, 2022		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,454	$ -	$ 2,454	$ 2,454	$ -	$ 2,454
Building	5,443	1,934	3,509	5,408	1,745	3,663
Equipment	563	323	240	546	264	282
Furniture	961	649	312	954	573	381
Vehicles	462	392	70	439	359	80
Computers	2,886	2,451	435	2,781	2,295	486
	$ 12,769	$ 5,749	$ 7,020	$ 12,582	$ 5,236	$ 7,346

The changes of the carrying amount of the property and equipment for the year ended September 30, 2023 were as follows:

(000s of dollars)

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Land	$ 2,454	$ -	$ -	$ -	$ 2,454
Building	3,663	35	-	(189)	3,509
Equipment	282	17	-	(59)	240
Furniture	381	7	-	(76)	312
Vehicles	80	23	-	(33)	70
Computers	486	106	-	(157)	435
	$ 7,346	$ 188	$ -	$ (514)	$ 7,020

The changes of the carrying amount of the property and equipment for the year ended September 30, 2022 were as follows:

(000s of dollars)

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Land	$ 2,397	$ 57	$ -	$ -	$ 2,454
Building	3,231	631	-	(199)	3,663
Equipment	196	143	-	(57)	282
Furniture	460	14	-	(93)	381
Vehicles	108	28	(33)	(23)	80
Computers	373	275	-	(162)	486
	$ 6,765	$ 1,148	$ (33)	$ (534)	$ 7,346

5. INTANGIBLE ASSETS

The carrying amount of the intangible asset was as follows:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Balance, beginning of year	$ 1,031	$ 1,193
Additions related to software development	399	202
Depreciation	(481)	(364)
Balance, end of year	$ 949	$ 1,031

6. PROPERTY HELD FOR SALE

During the year ended September 30, 2021, the Corporation acquired a property with 136 units for resale purposes in Calgary, Alberta. The Corporation has sold 71 units as of September 30, 2023. The Corporation expects to dispose of the remaining units within the next 12 months, and consequently, the asset is presented within the current assets section.

7. PREPAID ASSETS

Prepaid assets comprise prepaid property tax, license expenses and utility deposits:

(000s of dollars)

		Sep. 30, 2023		Sep. 30, 2022
Prepaid expenses	$	3,052	$	2,721
Utility Deposits		4		4
	$	3,056	$	2,725

8. TRADE AND OTHER RECEIVABLES

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

(000s of dollars)

		Sep. 30, 2023		Sep. 30, 2022
Trade Receivables	$	406	$	848
Other Receivables		1,234		699
	$	1,640	$	1,547

9. RESTRICTED CASH

Certain cash balances have restricted use are classified as restricted cash on the statement of financial position. Refundable security deposits for Alberta, Manitoba and Saskatchewan are considered as restricted cash as they are held in trust bank accounts and subject to the contingent rights of third parties:

(000s of dollars)

		Sep. 30, 2023		Sep. 30, 2022
Restricted refundable security deposits	$	4,931	$	3,852
Restricted Cash		51		49
	$	4,982	$	3,901

10. INVENTORY

Inventories consists of renovation materials such as carpet, flooring and appliances which the Corporation uses to upgrade its investment properties. Inventories are measured at the lower of cost and net realizable value. No amount of write-down of inventory was recognized for the years ended September 30, 2023 and 2022:

(000s of dollars)

		Sep. 30, 2023		Sep. 30, 2022
Inventory	$	1,814	$	1,859

11. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 2.79% (September 30, 2022 – 2.57%) per annum and are payable in monthly principal and interest installments totaling $6.0 million (September 30, 2022 - $5.4 million), maturing from 2024 to 2032 and are secured by specific charges against specific investment properties, having a fair value of $2,584 million (September 30, 2022 - $2,486 million).

(000s of dollars)

		Sep. 30, 2023		Sep. 30, 2022
Non-current	$	1,418,783	$	1,321,072
Current		147,030		112,381
	$	1,565,813	$	1,433,453

The following table reconciles the changes in cash flows from financing activities for long-term debt:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Opening balance	$ 1,433,453	$ 1,357,177
Financing of investment properties	244,894	144,688
Mortgage assumed to purchase investment properties	6,067	–
Mortgage principal repayments	(28,415)	(27,354)
Mortgage payments upon refinancing	(90,529)	(40,353)
Deferred financing cost	343	(705)
Closing balance	$ 1,565,813	$ 1,433,453

Estimated principal payments required to retire the mortgage obligations as of September 30, 2023 are as follows:

(000s of dollars)

Years ending September 30,	Amount
2024	$ 154,097
2025	161,320
2026	266,548
2027	88,329
2028	122,357
Subsequent	811,729
	1,604,380
Deferred financing cost	(38,567)
	$ 1,565,813

12. DEFERRED INCOME TAX

Income tax expense comprises:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Deferred income tax	$ 28,457	$ 22,630

No current or deferred income taxes were recognized in equity for the years ended September 30, 2023 and 2022. 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:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Profit from operations before income tax	$ 137,870	$ 143,166
Statutory tax rate	24.47%	24.56%
Computed expected tax	33,737	35,162
Increase (Decrease) in deferred tax liabilities for non-taxable portion of capital gain	(5,337)	(10,660)
Increase (Decrease) in deferred tax liabilities for changes in future tax rate	1,048	(1,987)
Other	(991)	115
	$ 28,457	$ 22,630

As of September 30, 2023, and September 30, 2022, the Corporation does not have any unrecognized deductible temporary differences.

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

(000s of dollars)

Deferred tax liabilities	Sep. 30, 2022	Recognized in profit	Sep. 30, 2023
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	$ 229,002	$ 27,918	$ 256,920
Differences in tax and book carrying amounts of deferred finacing cost	4,557	539	5,096
Deferred tax liabilities	$ 233,559	$ 28,457	$ 262,016

(000s of dollars)

Deferred tax liabilities	Sep. 30, 2021	Recognized in profit	Sep. 30, 2022
Differences in tax and book carrying amounts of Investment properties and property, plant and equipment	$ 206,863	$ 22,139	$ 229,002
Differences in tax and book carrying amounts of deferred finacing cost	4,066	491	4,557
Deferred tax liabilities	$ 210,929	$ 22,630	$ 233,559

13. TRADE AND OTHER PAYABLES

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

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Trade payables and accrued liabilities	$ 9,394	$ 8,328
Deferred revenue	1,479	1,581
	$ 10,873	$ 9,909

14. REFUNDABLE SECURITY DEPOSITS

Refundable security deposits for Alberta, Manitoba and Saskatchewan are considered as restricted cash as they are held in trust bank accounts and subject to the contingent rights of third parties:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Refundable security deposit	$ 7,046	$ 5,821

15. BANK INDEBTEDNESS

Effective January 2014, the Corporation was granted a 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 1.15%. 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 extended the maturity date to December 2, 2025. As at September 30, 2023, the Corporation has drawn $Nil (September 30, 2022 - $Nil) against this credit facility.

Additionally, in 2022, the Corporation entered a $45 million revolving credit facility with a third-party financial institution, which carries an interest rate equal to the prime rate. As at September 30, 2023, the Corporation has drawn $Nil (September 30, 2022 - $Nil) against this credit facility.

Both facilities contain 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, 2023, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 48% and 1.69, 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 Sep. 30, 2023			Year ended Sep. 30, 2022		
	Number of common shares		Amount (000s)	Number of common shares		Amount (000s)
Issued and outstanding – beginning of the period	9,326,718	$	26,441	9,345,218	$	26,494
Shares purchased for cancellation	(7,900)		(22)	(18,500)		(53)
Issued and outstanding – end of the period	9,318,818	$	26,419	9,326,718	$	26,441

All common shares have an equal right to dividends.

On June 1, 2023, Mainstreet announced that it had obtained approval from the Toronto Stock Exchange ("TSX") to repurchase up to 474,499 common shares of the Corporation under a Normal Course Issuer Bid ("NCIB") commencing June 3, 2023. The current NCIB expires on June 2, 2024. The Corporation's previous NCIB expired on May 31, 2023.

During 2023 and 2022, the Corporation purchased and cancelled 7,900 (2022 – 18,500) common shares at an average price of $116.33 (2022 – $113.24) respectively, per common share under its NCIB.

17. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

(000s of dollars)

		Sep. 30, 2023		Sep. 30, 2022
Rental revenue	$	204,925	$	176,659
Other rental revenue (1) (2)		1,878		1,355
	$	206,803	$	178,014

(1) Consists of revenues from parking and recovery of certain operating costs.

(2) The Corporation recognized a government grant of $300,000 for rental supplement purposes from The Manitoba Housing and Renewal Corporation during 2023. The rental supplement is recognized as other rental revenue on a consistent basis and recognized evenly over the periods.

18. EXPENSES BY NATURE

The components of property operating expenses and general and administrative expenses are as follows:

(000s of dollars)

		Sep. 30, 2023		Sep. 30, 2022
Salaries, wages and employee benefits	$	32,301	$	27,607
Utility		26,539		23,225
Property tax		17,675		16,588
Repair and maintenance		6,666		6,006
Insurance		4,953		5,305
Other		3,941		3,905
Legal and other professional expenses		2,655		2,100
Advertising and Marketing		1,221		1,109
Total Operating and G&A expenses	$	95,951	$	85,845

19. FINANCING COSTS

The components of financing costs are as follows:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Mortgage interest	$ 40,954	$ 36,566
Amortization of deferred of financing cost	6,646	5,909
Financing costs	$ 47,600	$ 42,475

20. PROFIT PER SHARE

Basic profit per share is calculated using the weighted average number of common 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:

(000s of dollars, except share and per share amounts)

	Sep. 30, 2023	Sep. 30, 2022
Numerator		
Net profit	$ 109,413	$ 120,536
Denominator		
For basic profit per share		
Weighted average shares	109,413	$ 120,536
Dilutive effect of stock options	–	–
For diluted profit per share	9,320,447	9,341,683
Profit per share		
– basic	$ 11.74	$ 12.90
– diluted	$ 11.74	$ 12.90

21. 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, 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, 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 mortgage 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)

		Sep. 30, 2023		Sep. 30, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Restricted cash	Level 2	$ **4,982**	$ **4,982**	$ 3,901	$ 3,901
Cash and cash equivalents	Level 2	**81,762**	**81,762**	44,560	44,560
Trade and other receivables	Level 2	**1,640**	**1,640**	1,547	1,547
Financial liabilities:					
Mortgages payable	Level 2	**1,565,813**	**1,457,667**	1,433,453	1,359,828
Trade and other payables	Level 2	**10,873**	**10,873**	9,909	9,909
Refundable security deposits	Level 1	$ **7,046**	$ **7,046**	$ 5,821	$ 5,821

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

(000s of dollars)

		Sep. 30, 2023		Sep. 30, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets:					
Investment properties	Level 3	**$3,051,665**	**$3,051,665**	$ 2,817,905	$ 2,817,905

22. 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.

Inflation, Labour Shortages and Supply Chain Risk

There is a risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, interest rates and regional rent controls. Canada saw significant inflation in the latter part of 2022 with the effects of inflation continuing to be felt in the first half of 2023, against the backdrop of sustained higher housing process, substantial supply constraints and geopolitical conflicts, all of which have increased prices for energy and agricultural markets. There has also been significant disruption to the global supply chain in the past year, including as a result of Russia's ongoing invasion of Ukraine, further disrupting global recovery as economies emerge from the impact of the pandemic. Further, as labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

Interest rate risk

The Corporation is exposed to interest rate risk to the extent of any upward or downward revision in prime lending rates. Increases in the interest rate, such as those seen throughout 2022 and 2023, have the potential to adversely affect the profitability of the Corporation. The Corporation attempts to mitigate this risk by staggering the maturity dates for its mortgages. The majority of Mainstreet's mortgages and fixed-rate mortgage financings 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.

Previously, the Corporation had seen the mortgage interest rate for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages matured and needed to be renewed. The Corporation took advantage of this opportunity and fixed 100% of its long-term debt into fixed rate debts, of which 99% are fixed as CMHC insured mortgages at an average interest rate of 2.79%. However, the mortgage rate for a

10-year fixed CHMC mortgage has increased by almost 150 basis points since the beginning of the financial year. The Corporation will continue to cautiously monitor this trend in interest rates and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

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, 2023, rents due from current tenants amounted to $665,000 (September 30, 2022 - $1,080,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of $7.0 million (September 30, 2022 - $5.8 million) and provisions for bad debts of $160,000 (September 30, 2022 - $160,000).

The aging bands of rents due from current tenants as at September 30, 2023 and September 30, 2022 are outlined in the table below:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
0-30 days	$ 468	$ 699
31-60 days	105	171
61-90 days	21	24
Over 90 days	71	186
Total rents due from current tenants	$ 655	$ 1,080

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

Liquidity Risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial 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, by managing mortgage debt secured by its investment properties, and by matching the maturity profiles of financial assets and liabilities.

The timing of cash outflows relating to financial liabilities as at September 30, 2023 are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	$ 154,097	161,320	266,548	88,329	934,086	$1,604,380
Mortgage interest payable	44,841	39,875	34,281	27,951	71,100	218,048
Trade and other payables	10,873	–	–	–	–	10,873
Refundable security deposits	$ 7,046	–	–	–	–	$ 7,046

The timing of cash outflows relating to financial liabilities as at September 30, 2022 are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	$ 118,619	152,357	84,429	265,178	851,780	$1,472,363
Mortgage interest payable	37,828	34,050	29,154	26,970	79,230	207,232
Trade and other payables	9,909	–	–	–	–	9,909
Refundable security deposits	$ 5,821	–	–	–	–	$ 5,821

Pandemic and Other Disease Risk

The COVID-19 pandemic has illustrated the substantial impact a pandemic can have on the economy. Uncertain economic conditions resulting from this or any pandemic may, in the short or long term, have a materially adverse impact on the

Corporation's tenants and/or capital markets, both of which could materially adversely affect the Corporation's operations and financial performance. It remains difficult to reliably estimate the impact of pandemics or other diseases on the financial results and condition of the Corporation in future periods.

23. GUARANTEES, CONTINGENCIES AND 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 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 consolidated 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, 2023, and September 30, 2022, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to guarantees, contingencies and commitments.

24. RELATED PARTY TRANSACTIONS

a) The President and Chief Executive Officer is paid a commission at commercial rates in his capacity as a licensed broker for certain property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in very limited circumstances, these commissions are paid by the selling third party or third parties to the transaction. The commissions received by the President and Chief Executive Officer during the year ended September 30, 2023, amounted to $356,027 (2022 – $343,893).

   These commissions form part of the CEO's annual compensation. Each year the Chief Executive Officer is entitled to receive an annual performance bonus based upon pre-determined performance goals and discretionary bonus amounts determined by the board of directors. In making such determination, the board of directors takes in consideration the amount of commissions paid to the Chief Executive Officer during each year, such that once determined, that portion of the annual performance bonus paid in cash to the CEO by the Corporation amounts to the difference between the amount of the CEO's annual performance bonus determined by the board of directors, if any, less the amount of commissions paid to the Chief Executive Officer during that year.

   As a result, the actual portion of the discretionary bonus, if any, paid by the Corporation each year to the Chief Executive Officer will be reduced by the amount of third party paid commissions to the Chief Executive Officer during that year.

b) The Corporation paid legal and professional fees and reimbursements for the year ended September 30, 2023, amounting to $457,831 (2022 - $473,096) to a law firm of which a director and officer of the Corporation is a Senior Associate. As at September 30, 2023, the amounts payable to the law firm were $Nil (September 30, 2022 – $315). These fees were incurred at amounts which in management's opinion approximate fair market value that would be incurred by a third-party law firm.

25. KEY MANAGEMENT PERSONNEL

Key management personnel of the Corporation during the year ended September 30, 2023, were:

Navjeet (Bob) Dhillon, President and Chief Executive Officer

Trina Cui, Chief Financial Officer

Sheena Keslick, Vice President Operations

Anthony Lam, Operating Officer

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

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Short-term benefits	$ 4,249	$ 3,235

The remuneration paid by the Corporation to the Corporation's key management personnel excludes the commissions received by the President and Chief Executive Officer during the year ended September 30, 2023 which amounted to $356,027 (2021 – $343,893).

Unless Mr. Dhillon's employment is terminated for cause, as defined under the employment agreement, the Corporation shall, upon termination, or within two (2) years if he voluntarily resigns after a change of control or if he becomes permanently disabled:

a. pay, in lieu of reasonable notice an amount equal to his monthly salary at the highest rate in effect during the twenty (24) months immediately preceding the date of termination multiplied by 36 months;

b. cause all outstanding options to purchase shares of the Corporation granted to Mr. Dhillon pursuant to any stock option plan of the Corporation to vest and become exercisable;

c. pay reasonable cost of financial, estate and career counseling and related expenses in connection with such termination to a maximum amount of $10,000.

26. 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)

	Sep. 30, 2023	Sep. 30, 2022
BRITISH COLUMBIA		
Rental revenue	$ 49,333	$ 44,344
Other rental revenue	585	533
Ancillary revenue	915	874
Property operating expenses	13,436	12,167
Net operating income	37,397	33,584
Change in fair value	22,355	43,060
ALBERTA		
Rental revenue	$ 116,838	$ 98,798
Other rental revenue	944	788
Ancillary revenue	1,529	1,193
Property operating expenses	47,635	43,404
Net operating income	71,676	57,375
Change in fair value	43,280	28,285
SASKATCHEWAN		
Rental revenue	$ 36,420	$ 32,744
Other rental revenue	43	32
Ancillary revenue	445	472
Property operating expenses	16,263	14,980
Net operating income	20,645	18,268
Change in fair value	4,586	15,723
MANITOBA		
Rental revenue	$ 2,334	$ 733
Other rental revenue	306	2
Ancillary revenue	336	20

Property operating expenses	1,387	357
Net operating income	1,589	438
Change in fair value	(709)	(178)
TOTAL		
Rental revenue	$ 204,925	$ 176,659
Other rental revenue	1,878	1,355
Ancillary revenue	3,225	2,559
Property operating expenses	78,721	70,908
Net operating income	131,307	109,665
Change in fair value	69,512	86,890
Gain from disposal of assets	443	4,166
Unallocated revenue*	2,433	776
Unallocated expenses**	94,282	80,961
Profit for the period	$ 109,413	$ 120,536

* Unallocated revenue represents interest income and other income.

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

IDENTIFIABLE ASSETS AND LIABILITIES

(000s of dollars)

	Sep. 30, 2023	Sept. 30, 2022
BRITISH COLUMBIA		
Investment properties	$ 980,731	$ 925,867
Property and equipment	20	28
Mortgages payable	314,110	337,356
Refundable security deposits	2,115	1,927
ALBERTA		
Investment properties	$ 1,582,910	$ 1,437,752
Property and equipment	6,111	6,403
Mortgages payable	970,773	818,649
Refundable security deposits	3,809	3,156
SASKATCHEWAN		
Investment properties	$ 453,395	$ 444,315
Property and equipment	886	914
Mortgages payable	280,930	277,448
Refundable security deposits	969	696
MANITOBA		
Investment properties	$ 34,629	$ 9,971
Property and equipment	3	1
Mortgages payable	–	–
Refundable security deposits	153	42
TOTAL		
Investment properties	$ 3,051,665	$ 2,817,905
Property and equipment	7,020	7,346
Mortgages payable	1,565,813	1,433,453
Refundable security deposits	7,046	5,821

IDENTIFIABLE ACQUISITION AND CAPITAL EXPENDITURES

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
BRITISH COLUMBIA	$ 32,511	$ 23,752
ALBERTA	102,819	79,863
SASKATCHEWAN	4,514	9,745
MANITOBA	25,369	2,820
TOTAL	$ 165,213	$ 116,180

27. 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, 2023 amounted to $2,885 million (September 30, 2022 - $2,644 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 adjusts 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)

	Sep. 30, 2023	Sep. 30, 2022
Mortgages payable	$ 1,565,813	$ 1,433,453
Total equity	1,319,244	1,210,750
Total capital	$ 2,885,057	$ 2,644,203

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, 2023 is approximately 49% (September 30, 2022 – 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 fair value ratios were as follows:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Mortgages payable	$ 1,565,813	$ 1,433,453
Cash and cash equivalents	81,915	44,560
Total debts	$ 1,483,898	$ 1,388,893
Investment properties	$ 3,051,665	$ 2,817,905
Debt to fair value ratio	49%	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 a going concern basis.

28. SUBSEQUENT EVENTS

Subsequent to year-end September 30, 2023, the Corporation acquired additional 355 residential units in the Provinces of Alberta, British Columbia and Saskatchewan for a total consideration of $44.4 million.

Subsequent to year-ended September 30, 2023, the Corporation financed 21 clear title properties for an additional net funding of $76.7 million at an average rate of 4.53%.

29. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 30, 2023.