Balance Sheets

(Thousands of dollars)

As at	June 30 2003 (unaudited)	September 30 2002 (audited)
ASSETS		
Real estate properties (note 3)	**$ 117,312**	$ 110,986
Restricted cash	**871**	803
Cash	**1,183**	–
Other assets	**657**	1,117
Deferred charges	**2,153**	1,711
	$ 122,176	$ 114,617
LIABILITIES		
Mortgages payable (note 4)	**$ 108,318**	$103,741
Bank indebtedness	–	177
Debenture (notes 5 and 6)	**2,000**	2,000
Accounts payable	**1,111**	965
Refundable security deposits	**871**	803
Future income taxes (note 7)	**2,193**	1,631
	114,493	109,317
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**1,900**	1,869
Retained earnings	**5,783**	3,431
	7,683	5,300
	$ 122,176	$ 114,617

See accompanying notes to the financial statements

Statements of (Loss) Earnings and Retained Earnings

For the three and nine months ended June 30, 2003
(Thousands of dollars, except per share amounts)
(Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	2003	2002	**2003**	2002
Revenue				
Rental income	**$ 4,334**	$ 4,024	**$ 12,239**	$ 11,124
Sale of properties held for resale	**–**	–	**16,800**	–
Interest	**22**	8	**68**	42
	4,356	4,032	**29,107**	11,166
Expenses				
Property operating expenses	**1,684**	1,186	**4,715**	3,185
Utility rebate	**–**	(57)	**–**	(299)
Cost of sales of properties held for resale	**–**	–	**12,985**	–
General and administrative expenses	**353**	307	**1,166**	914
Financing costs	**1,875**	1,770	**5,434**	4,657
Depreciation	**631**	466	**1,710**	1,224
	4,543	3,672	**26,010**	9,681
(Loss) earnings before income taxes	**(187)**	360	**3,097**	1,485
Income taxes (recovery) expenses				
– Current	**(77)**	108	**183**	225
– Future	**69**	107	**562**	513
	(8)	215	**745**	738
Net (loss) earnings	**(179)**	145	**2,352**	747
Retained earnings, beginning of period	**5,962**	3,343	**3,431**	2,741
Retained earnings, end of period	**$ 5,783**	$ 3,488	**$ 5,783**	$ 3,488
(Loss) earnings per share (note 8)				
– Basic	**$ (0.02)**	$ 0.02	**$ 0.26**	$ 0.08
– Diluted	**$ (0.02)**	$ 0.02	**$ 0.26**	$ 0.08

See accompanying notes to the financial statements

Statements of Cash Flows from Operations

For the three and nine months ended June 30, 2003
(Thousands of dollars, except per share amounts)
(Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	2003	2002	**2003**	2002
Cash obtained from (used in):				
Operating activities				
Net (loss) earnings	**$ (179)**	$ 145	**$ 2,352**	$ 747
Items not affecting cash				
Depreciation	**631**	466	**1,710**	1,224
Future income tax	**69**	107	**562**	513
Funds from operations	**521**	718	**4,624**	2,484
Net change in non-cash operating balances	**(351)**	(113)	**606**	31
Decrease in properties held for resale	**–**	–	**12,985**	–
Cash flow from operating activities	**170**	605	**18,215**	2,515
Financing activities				
Financing of real estate properties	**8,807**	20,181	**43,133**	47,727
Repayment of secured debts on revenue producing properties, and other debts	**(8,696)**	(14,282)	**(41,328)**	(31,319)
Issue of shares	**–**	–	**31**	–
Deferred charges (net of amortization)	**(251)**	(455)	**(442)**	(938)
	(140)	5,444	**1,394**	15,470
Investing activities				
Purchase of and addition to real estate properties	**(892)**	(4,966)	**(18,249)**	(16,761)
(Decrease) increase in cash and cash equivalents (bank indebtedness)	**(862)**	1,083	**1,360**	1,224
Cash and cash equivalents (bank indebtedness), beginning of period	**2,045**	253	**(177)**	112
Cash and cash equivalents, end of period	**$ 1,183**	$ 1,336	**$ 1,183**	$ 1,336
Cash and cash equivalents comprise of:				
Cash	**$ 12**	$ 375	**$ 12**	$ 375
Short-term deposits	**1,171**	961	**1,171**	961
	$ 1,183	$ 1,336	**$ 1,183**	$ 1,336
Income taxes paid	**$ 60**	$ 36	**$ 247**	$ 152
Interest paid	**$ 1,697**	$ 1,675	**$ 4,929**	$ 4,306

See accompanying notes to the financial statements

For the three and nine months ended June 30, 2003
(Thousands of dollars, except per share amounts)
(Unaudited)

1. Basis of presentation

These unaudited interim consolidated financial statements of Mainstreet Equity Corp. (the "Corporation") have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and are consistent with those used in the audited consolidated financial statements as at and for the year ended September 30, 2002, except as described in Note 2 below. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements, and therefore, they should be read in conjunction with the audited consolidated financial statements.

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Due to seasonality, the operating results for the three and nine months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2003.

2. Accounting policy changes

DISCLOSURE OF GUARANTEES

Effective January 1, 2003, the Corporation adopted Accounting Guideline 14 (AcG-14), Disclosure of Guarantees. This guideline provides assistance regarding the identification of guarantees and requires a guarantor to disclose the significant details of guarantees that have been given, regardless of whether it will have to make payments under the guarantees. Please refer to Note 10 for further disclosure on the Corporation's guarantees.

3. Real estate properties

	June 30, 2003			September 30, 2002		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	$ 29,342	$ –	$ 29,342	$ 28,082	$ –	$ 28,082
Buildings	83,587	1,934	81,653	78,887	1,631	77,256
Building improvements	9,312	3,185	6,127	7,541	2,084	5,457
Office furniture, fixture, and other	349	159	190	314	123	191
	$ 122,590	$ 5,278	$ 117,312	$ 114,824	$ 3,838	$ 110,986

ACQUISITIONS

	3 months June 30 2003	3 months June 30 2002	9 months June 30 2003	9 months June 30 2002
Mortgages arranged	$ –	$ 2,652	$ 13,295	$ 9,993
Debt assumed	–	7,593	2,772	15,838
Cash paid	–	1,405	2,442	4,158
Total purchase price	$ –	$ 11,650	$ 18,509	$ 29,989
Units acquired	–	204	277	613

DISPOSITIONS

	3 months June 30 2003	3 months June 30 2002	9 months June 30 2003	9 months June 30 2002
Net cash received	–	–	$ 3,831	–
Settlement of mortgages	–	–	12,969	–
Total proceeds	–	–	16,800	–
Net book value	–	–	12,985	–
Gains on sales	–	–	$ 3,815	–
Units sold	–	–	188	–

4. Mortgages payable

Mortgage loans are secured by specific charges against specific properties and several personal guarantees of certain directors to the extent of $36,909.825 (2002 – $31,547,000).

5. Debentures

The debentures maturing in 2006 and bearing interest at 10% per annum, are secured by a floating charge on all assets, and are subordinate to all existing mortgage loans.

6. Related party transactions

$1,000,000 of the debenture was issued to a company of which a Mainstreet director is a director and a shareholder. This transaction was completed under the same terms and conditions as those issued to third parties for the existing debenture.

Consulting fees amounting to $15,525 (2002 – $15,525) were payable to two directors of the Corporation for the period.

7. Income taxes

The income tax provision is computed as follows:

	3 months June 30 2003	3 months June 30 2002	9 months June 30 2003	9 months June 30 2002
Effective rate	39.12%	39.60%	39.12%	39.60%
Computed expected tax	$ (74)	$ 142	$ 1,211	$ 588
Non-taxable portion of capital gain	–	–	(604)	–
Other	4	1	9	3
Adjustment for change in effective tax rate	(7)	–	(54)	(24)
Large corporation tax	69	72	183	171
Provision for income tax	$ (8)	$ 215	$ 745	$ 738

The future income tax liability is calculated as follows:

	June 30, 2003	September 30, 2002
Tax assets related to operating losses	$ (131)	$ (317)
Tax liabilities between differences in tax and book basis	2,324	1,948
Future income tax liability	$ 2,193	$ 1,631

8. Share capital

	Number of Shares	Amount
Issued and outstanding, October 1, 2002	9,033,333	$ 1,869
Issued pursuant to exercise of options	155,000	31
Issued and outstanding, June 30, 2003	9,188,333	$ 1,900

During the nine month period ended June, 2003, there were no stock options granted by the Corporation.

9. Earnings per share

Basic earnings per share are calculated using the weighted average number of shares outstanding during the period.

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

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

	3 months June 30, 2003	3 months June 30, 2002	9 months June 30, 2003	9 months June 30, 2002
Numerator				
Net (loss) earnings	$ (179)	$ 145	$ 2,352	$ 747
Denominator				
Denominator for basic earnings				
Weighted average shares	9,188,333	9,033,333	9,112,252	9,033,333
Effect of diluted earnings	–	162,500	–	161,163
Denominator for diluted earnings	9,188,333	9,195,833	9,112,252	9,194,496
Basic (loss) earnings per share	$ (0.02)	$ 0.02	$ 0.26	$ 0.08
Diluted (loss) earnings per share	$ (0.02)	$ 0.02	$ 0.26	$ 0.08

Notes to Financial Statements

10. Guarantees

In the normal course of business, the Corporation enters into various agreements that may contain features that meet the AcG-14 definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires the Company 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 Company to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by a counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based on the contract and do not provide any limit on the maximum potential liability. Historically, the Company has not made any significant payments under such indemnifications and no amount has been accrued in the financial statements with respect to these indemnification commitments.

11. Subsequent event

Subsequent to June 30, 2003, the Corporation has acquired 235 residential apartment units for consideration of $17,533,000. The acquisitions were financed through a combination of cash, mortgages and vender take back loans.

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