

**BAY TERRACE LIMITED PARTNERSHIP**  
**RESTATED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2011**

**Note to Reader:**

These interim financial statements have been refiled to include a reconciliation of equity as at March 31, 2010, as required by IFRS 1 *First-time Adoption of International Financial Reporting Standards*. There are no other changes to the previously reported results.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The unaudited financial statements of Bay Terrace Limited Partnership have been prepared by and are the responsibility of the Partnership's management. The Partnership's independent auditor has not performed a review of these restated interim financial statements.

**BAY TERRACE LIMITED PARTNERSHIP  
INTERIM BALANCE SHEETS  
(UNAUDITED)**

	<u>March 31 2011</u>	<u>December 31 2010</u>	<u>January 1 2010</u>
<b>Assets</b>			
<b>Non-current Assets</b>			
Investment property (Note 4)	10,061,458	10,061,458	9,546,781
<b>Current Assets</b>			
Cash	1,221,793	1,159,129	1,085,455
Accounts receivable and sundry assets	9,785	12,974	12,791
	<u>1,231,578</u>	<u>1,172,103</u>	<u>1,098,246</u>
<b>Total Assets</b>	<b><u>\$ 11,293,036</u></b>	<b><u>\$ 11,233,561</u></b>	<b><u>\$ 10,645,027</u></b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Mortgage payable (Note 5)	3,484,522	3,502,067	3,567,322
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	97,282	112,254	137,313
Payable to general partner	6,852	27,009	26,231
Tenants' prepaid rent	115,877	112,412	110,902
	<u>220,011</u>	<u>251,675</u>	<u>274,446</u>
<b>Partners' Deficiency (388 units)</b>	<u>7,588,503</u>	<u>7,479,819</u>	<u>6,803,259</u>
	<b><u>\$ 11,293,036</u></b>	<b><u>\$ 11,233,561</u></b>	<b><u>\$ 10,645,027</u></b>

*See accompanying notes.*

**BAY TERRACE LIMITED PARTNERSHIP**  
**INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME AND PARTNERS' EQUITY**  
**FOR THE PERIODS ENDED MARCH 31, 2011 AND 2010**  
**(UNAUDITED)**

	3 months ended	
	March 31	
	2011	2010
<b>Income</b>		
Rental income from investment property	339,014	333,268
Sundry	12,280	9,819
	<u>351,294</u>	<u>343,087</u>
<b>Operating expenses</b>		
Realty Taxes	67,728	66,711
Repairs and Maintenance	33,624	27,143
Utilities	32,353	28,836
Management Fees (Note 6)	19,796	18,019
Salaries and Benefits	15,240	15,512
Professional and consulting fees	11,814	11,829
Insurance	2,183	2,187
General and Administration	1,828	2,750
Advertising	1,389	2,212
Bad Debts (recovery)	919	(139)
Collection & Credit	725	747
Interest on tenants' prepaid rent	56	354
	<u>187,655</u>	<u>176,161</u>
<b>Net operating income</b>	163,639	166,926
Mortgage interest	48,103	49,182
Amortization of deferred financing charges	4,316	4,132
<b>Income before fair value loss</b>	111,220	113,612
Fair value loss	(2,536)	(2,101)
<b>Net income and comprehensive income for the period</b>	108,684	111,511
Partners' equity - Beginning of period	7,479,819	6,803,259
Distributions	-	-
<b>Partners' equity - End of period</b>	<u>\$ 7,588,503</u>	<u>\$ 6,914,770</u>

*See accompanying notes.*

**BAY TERRACE LIMITED PARTNERSHIP  
INTERIM STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED MARCH 31, 2011 AND 2010  
(UNAUDITED)**

	<b>3 months ended</b>	
	<b>March 31</b>	
	<u>2011</u>	<u>2010</u>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the period	\$ 108,684	\$ 111,511
Amortization of deferred financing charges	4,316	4,132
Fair value adjustment	2,536	2,101
Changes in non-cash working capital		
Increase in accounts receivable and sundry assets	3,189	2,132
Increase in accounts payable and accrued liabilities	(14,972)	(60,600)
Decrease in accounts payable to general partner	(20,157)	(19,730)
Increase in tenants' prepaid rent	3,465	(4,456)
	<u>87,061</u>	<u>35,090</u>
<b>Investing activities</b>		
Additions to investment property	(2,536)	(2,101)
<b>Financing activities</b>		
Principal payments on mortgage	(21,861)	(20,787)
Distributions	-	-
	<u>(21,861)</u>	<u>(20,787)</u>
<b>Increase in cash during the period</b>	62,664	12,202
<b>Cash - Beginning of period</b>	<u>1,159,129</u>	<u>1,085,455</u>
<b>Cash - End of period</b>	<u><u>\$ 1,221,793</u></u>	<u><u>\$ 1,097,657</u></u>
<b>Supplementary disclosure</b>		
Interest paid	48,201	49,276

*See accompanying notes.*

**Bay Terrace Limited Partnership**  
**Notes to the Interim Financial Statements**  
March 31, 2011 and 2010

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**1. Description of Business**

Bay Terrace Limited Partnership (the “partnership”) was formed for the purpose of acquiring and operating a 118 suite apartment building located at 334 Dundas Street East, Belleville, Ontario. The partnership comprises a general partner and 388 (originally 434) limited partnership units. 434947 Ontario Limited is the general partner and acts in the capacity of trustee, in whose name property, debt and contracts are represented.

**2. Basis of preparation and adoption of IFRS**

The partnership will prepare its financial statements for the year ended December 31, 2011 to comply with International Financial Reporting Standards (“IFRS”). In 2010, the CICA Handbook was revised to incorporate IFRS and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the partnership has commenced reporting on this basis in these condensed interim financial statements in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards (“IFRS 1”). In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These condensed interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting (“IAS 34”). Subject to certain transition elections disclosed in note 7, the partnership has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 7 discloses the impact of the transition to IFRS on the partnership's reported financial position and financial performance. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as at the time of preparing these statements (June 2011). Any subsequent changes to IFRS, that are given effect in the partnership's annual financial statements for the year ending December 31, 2011, could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim financial statements do not include all disclosures included in the annual statements and therefore should be read in conjunction with the partnership's Canadian GAAP annual financial statements for the year ended December 31, 2010.

### 3. Significant accounting policies

#### *Method of presentation and income taxes*

These financial statements have been prepared on a historical cost basis, except that investment property and certain financial liabilities have been measured at fair value as explained in the accounting policies below. As this business is carried on as a limited partnership, these financial statements do not provide for income taxes and do not include all of the assets, liabilities, income and expenses of the individual partners, but only those of the limited partnership.

#### *Revenue recognition*

Revenue includes rental income, parking and other incidental revenue. Revenue from tenants for rent and parking is recognized evenly over the lease term, which is generally one year. Incidental revenue is recognized when received and the related performance activity is complete.

#### *Investment property*

Investment property includes the partnership's apartment building which is held to earn rental income. Investment property is initially measured at cost on the date it was acquired. Cost includes all amounts relating to the acquisition and improvement of the properties. All costs associated with upgrading and extending the economic life of the property, other than ordinary repairs and maintenance, are capitalized as investment property.

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

#### *Financial assets and liabilities*

The following summarizes the partnership's classification and measurement of financial assets and liabilities:

<b>Financial asset and liability</b>	<b>Classification</b>	<b>Subsequent Measurement</b>
Cash	Fair value through profit and loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Prepaid expenses	Loans and receivables	Amortized cost
Mortgage payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Payable to General Partner	Other financial liabilities	Amortized cost
Tenant prepaid rent	Other financial liabilities	Amortized cost

Cash includes cash and short term deposits, if any, with an original maturity of three months or less.

Mortgage payable is initially recognized at fair value less directly attributable financing costs. After initial recognition, mortgage payable is measured at amortized cost using the effective interest rate method. Financing costs such as professional and appraisal fees, bank charges and environmental survey costs incurred in connection with mortgage financing are deducted from the cost of the mortgage and amortized using the effective interest rate method over the mortgage term. Financing costs such as Canadian Mortgage and Housing insurance premiums and related fees are amortized over the mortgage amortization period also using the effective interest rate method.

*Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the period reported. Actual results may differ from those estimates.

**4. Investment property**

	<b><u>3 months ended</u></b> <b><u>March 31, 2011</u></b>	<b><u>Year ended</u></b> <b><u>December 31, 2010</u></b>
Balance, beginning of period	\$10,061,458	\$9,546,781
Building improvements	2,536	5,604
Fair value gain (loss)	<u>(2,536)</u>	<u>509,073</u>
Balance end of period	<u>\$10,061,458</u>	<u>\$10,061,458</u>

The fair value of the investment property was determined internally using similar assumptions and valuation techniques used by external appraisals. The capitalization approach was used whereby a capitalization rate of 7.25% was applied both in 2010 and 2011 to estimated annual operating income. The capitalization rate was determined by reviewing similar building valuations and comparable building transactions in the same market. The investment property value is most sensitive to the capitalization rate.

The investment property has been pledged as security for the partnership's mortgage payable.

**5. Mortgage payable**

	<b><u>As at</u></b> <b><u>March 31, 2011</u></b>	<b><u>As at</u></b> <b><u>December 31, 2010</u></b>
Mortgage payable	\$3,682,577	\$3,704,438
Deferred financing costs	<u>(198,055)</u>	<u>(202,371)</u>
	<u>\$3,484,522</u>	<u>\$3,502,067</u>

The mortgage bears an interest rate of 5.345%, is payable in monthly installments, including principal and interest, of \$23,354 and is due September 1, 2018. The mortgage is secured by a first charge on the investment property.

## **6. Management fees**

The partnership has engaged Realstar Management to manage the investment property for an annual fee calculated at 5% of the total revenue, net of vacancies and bad debts, plus HST.

Companies related to the manager own units in the partnership.

## **7. Transition to IFRS**

The partnership transitioned to IFRS effective January 1, 2010 (the "Transition Date") and has prepared its opening IFRS balance sheet as at that date. The actual adoption date of IFRS is January 1, 2011, the date from which the Partnership will present its annual and interim financial statements, including comparative figures, in accordance with IFRS. Prior to the adoption of IFRS, the Partnership prepared its financial statements in accordance with Canadian GAAP.

The adoption of IFRS requires the application of IFRS 1 which generally requires retrospective application of IFRS. However, IFRS 1 provides certain optional exemptions and mandatory exceptions to this retrospective application. As a result, the Partnership has elected to apply IFRS 3 - Business Combinations prospectively from the Transition Date and therefore not restate any business combination, in particular the acquisition of the Investment Property, that took place prior to the Transition Date.

The adoption of IFRS resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared in accordance with Canadian GAAP. The following summarizes the significant changes:

### *Investment property*

The partnership is accounting for its apartment building asset in accordance with IAS 40. Investment property includes land and buildings held primarily to earn rental income or for capital appreciation or both. IAS 40 requires that the investment property be initially recorded at cost. For subsequent reporting periods, IAS permits an accounting policy choice between presenting investment property at fair market value or at cost. The partnership has chosen to present investment property at fair market value. Previously, under Canadian GAAP, the apartment building was carried at cost and as a result, the carrying value has been adjusted to fair market value as at the Transition Date.

## Financial assets and liabilities

After initial recognition, mortgage payable is measured at amortized cost using the effective interest rate method in accordance with IFRS. Under Canadian GAAP, certain financing costs incurred in connection with securing the mortgage payable were expensed. As a result, mortgage payable has been adjusted as at the Transition Date to reflect this difference on a retroactive basis.

The following is a reconciliation of the Partnership's balance sheet as at January 1, 2010, the Transition Date, as at March 31, 2010 and as at December 31, 2010 prepared in accordance with Canadian GAAP as previously reported to the figures currently reported in accordance with IFRS:

### Transition to IFRS Balance Sheet Reconciliation

	December 31, 2010			March 31, 2010			January 1, 2010		
	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
<b>Assets</b>									
<b>Non-current Assets</b>									
Investment property	1,808,831	8,252,627	10,061,458	1,900,360	7,646,421	9,546,781	1,929,999	7,616,782	9,546,781
<b>Current Assets</b>									
Cash	1,159,129	-	1,159,129	1,097,657	-	1,097,657	1,085,455	-	1,085,455
Accounts receivable and sundry assets	12,974	-	12,974	10,659	-	10,659	12,791	-	12,791
	1,172,103	-	1,172,103	1,108,316	-	1,108,316	1,098,246	-	1,098,246
<b>Total Assets</b>	<b>2,980,934</b>	<b>8,252,627</b>	<b>11,233,561</b>	<b>3,008,676</b>	<b>7,646,421</b>	<b>10,655,097</b>	<b>3,028,245</b>	<b>7,616,782</b>	<b>10,645,027</b>
<b>Liabilities</b>									
<b>Non-current Liabilities</b>									
Mortgage payable on investment property	3,704,438	(202,371)	3,502,067	3,765,708	(215,041)	3,550,667	3,786,495	(219,173)	3,567,322
<b>Current Liabilities</b>									
Accounts payable and accrued liabilities	112,254	-	112,254	76,713	-	76,713	137,313	-	137,313
Payable to general partner	27,009	-	27,009	6,501	-	6,501	26,231	-	26,231
Tenants' prepaid rent	112,412	-	112,412	106,446	-	106,446	110,902	-	110,902
	251,675	-	251,675	189,660	-	189,660	274,446	-	274,446
Partners' Deficiency (388 units)	(975,179)	8,454,998	7,479,819	(946,692)	7,861,462	6,914,770	(1,032,696)	7,835,955	6,803,259
	<b>\$ 2,980,934</b>	<b>\$ 8,252,627</b>	<b>\$ 11,233,561</b>	<b>\$ 3,008,676</b>	<b>\$ 7,646,421</b>	<b>\$ 10,655,097</b>	<b>\$ 3,028,245</b>	<b>\$ 7,616,782</b>	<b>\$ 10,645,027</b>

The following is a reconciliation of the Partnership's net income and comprehensive income for the three months ended March 31, 2010 prepared in accordance with Canadian GAAP as previously reported to the figures currently reported in accordance with IFRS:

	<b>3 months ended March 31, 2010</b>		
	Previous GAAP	Effect of transition to IFRS	IFRS
<b>Income</b>			
Rental income from investment property	333,268	-	333,268
Sundry	9,819	-	9,819
	<u>343,087</u>	-	<u>343,087</u>
<b>Operating expenses</b>			
Realty Taxes	66,711	-	66,711
Repairs and Maintenance	27,143	-	27,143
Utilities	28,836	-	28,836
Management Fees	18,019	-	18,019
Salaries and Benefits	15,512	-	15,512
Professional and consulting fees	11,829	-	11,829
Insurance	2,187	-	2,187
General and Administration	2,750	-	2,750
Advertising	2,212	-	2,212
Bad Debts (recovery)	(139)	-	(139)
Collection & Credit	747	-	747
Interest on tenants' prepaid rent	354	-	354
	<u>176,161</u>	-	<u>176,161</u>
		-	-
<b>Net operating income</b>	166,926	-	166,926
Mortgage interest	49,182	-	49,182
Amortization of revenue producing property	31,740	(31,740)	-
Amortization of deferred financing costs	-	4,132	4,132
	<u>80,922</u>	<u>(27,608)</u>	<u>53,314</u>
<b>Income before fair value gain (loss)</b>	86,004	27,608	113,612
Fair value gain (loss)		(2,101)	(2,101)
<b>Net income and comprehensive income for the period</b>	<u>86,004</u>	<u>25,507</u>	<u>111,511</u>

The following is a reconciliation of the Partnership's net income and comprehensive income for the twelve months ended December 31, 2010 prepared in accordance with Canadian GAAP as previously reported to the figures currently reported in accordance with IFRS:

	<b>12 months ended December 31, 2010</b>		
	Previous GAAP	Effect of transition to IFRS	IFRS
<b>Income</b>			
Rental income from investment property	1,341,848	-	1,341,848
Sundry	42,924	-	42,924
	<u>1,384,772</u>	<u>-</u>	<u>1,384,772</u>
<b>Operating expenses</b>			
Realty Taxes	264,955	-	264,955
Repairs and Maintenance	185,584	-	185,584
Utilities	90,228	-	90,228
Management Fees	75,611	-	75,611
Salaries and Benefits	64,568	-	64,568
Professional and consulting fees	40,007	-	40,007
Insurance	8,924	-	8,924
General and Administration	8,913	-	8,913
Advertising	8,874	-	8,874
Bad Debts (recovery)	2,964	-	2,964
Collection & Credit	1,819	-	1,819
Interest on tenants' prepaid rent	(1,988)	-	(1,988)
	<u>750,459</u>	<u>-</u>	<u>750,459</u>
<b>Net operating income</b>	634,313	-	634,313
		-	-
Mortgage interest	197,824		197,824
Amortization of revenue producing property	126,772	(126,772)	-
Amortization of deferred financing costs	-	16,802	16,802
	<u>324,596</u>	<u>(109,970)</u>	<u>214,626</u>
<b>Income before fair value gain (loss)</b>	309,717	109,970	419,687
Fair value gain (loss)	-	509,073	509,073
<b>Net income and comprehensive income for the period</b>	<u>309,717</u>	<u>619,043</u>	<u>928,760</u>