CONSOLIDATED HCI HOLDINGS CORPORATION

ANNUAL REPORT • 2013

PRESIDENT'S REPORT

Net earnings for the year ended September 30, 2013 were $6,917,000 or $0.34 per share. Net earnings for fiscal 2012 were $7,993,000 or $0.39 per share.

Included in net earnings for the year ended September 30, 2013 is the reversal of a prior year income tax provision of $5,780,000, which is no longer considered necessary. A reversal of a prior year income tax provision of $6,700,000 was also made for the year ended September 30, 2012 and included in net earnings.

As the Company has completed and closed all houses in its housing development projects and continues to downsize its syndicated mortgage loan portfolio, it is our intention to return cash to shareholders as the Board of Directors deems appropriate.

On your behalf I would like to thank our Board of Directors and our employees for their continued hard work and guidance they provide to management.

Stanley Goldfarb
President

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of December 19, 2013

OVERVIEW

Consolidated HCI Holdings Corporation ("CHCI" or the "Company") is an Ontario based, publicly traded real estate development company trading on the Toronto Stock Exchange under the symbol CXA.B. The following discussion and analysis of the financial condition of the Company and its financial performance for the two years ended September 30, 2013 and 2012 are the views of management and should be read in conjunction with the consolidated financial statements including related notes in the 2013 and 2012 audited consolidated financial statements. Amounts presented in this MD&A are in thousands of Canadian dollars, unless otherwise noted.

The information included in this MD&A, including 2012 comparative information, has been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

The Company's activities in the real estate industry are conducted with others at varying participation rates in co-tenancies and joint ventures. The consolidated financial statements include these ventures on a proportionate consolidation basis. The activities of the Company include the redevelopment of an existing industrial property in Vaughan, Ontario for industrial and commercial uses to lease to others. The Company has also conducted activities through various ventures in the building and selling of new homes on land purchased from others and invests in syndicated mortgage loans, which are secured by real property developments of other land developers and builders. The Company's house building activities ended in 2013 with the closing of its last housing unit in inventory and, other than a funding commitment under an existing syndicated mortgage loan, the Company does not plan further investment in such loans.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A, and has in place information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed and approved this MD&A and the consolidated financial statements as at September 30, 2013 and 2012.

CONTROLS AND PROCEDURES

At September 30, 2013, the Chief Executive Officer and the Chief Financial Officer ("certifying officers") of the Company have designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that information required to be disclosed in its various reports is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its consolidated financial statements for external purposes in accordance with IFRS. All ICFR are either completed or reviewed by the Chief Financial Officer. Other than the Chief Financial Officer, the Company has only one employee who is engaged in accounting and recordkeeping functions and who is directly supervised by the Chief Financial Officer.

The certifying officers have limited the scope of the design of DC&P and ICFR to exclude controls, policies and procedures of the Company's non-publicly accountable proportionately consolidated entities ("the entities"). Management of the entities is distinct from that of the Company and, as such, the Company does not have sufficient access to the entities to design and evaluate controls, policies and procedures carried out by these entities. The Company is satisfied that, considering its own review and analysis of financial information provided by the entities and discussion with the entities' management, material errors or omissions in the entities' financial reporting for consolidation purposes would come to the attention of the Company's management and be corrected prior to consolidation.

The following summary of financial information as at September 30, 2013 and 2012 and for the years then ended relates to the Company's aggregate consolidated proportionate share of its joint venture and co-tenancy operations, comprising all its investments in its investment property and residential construction segments:
(in thousands of dollars)

	September 30 2013	September 30 2012
Assets	$ 13,393	$ 14,853
Liabilities	4,369	4,655
	$ 9,024	$ 10,198

	Year ended September 30 2013	Year ended September 30 2012
Revenue	$ 3,187	$ 7,142
Expenses	1,995	6,272
Earnings	$ 1,192	$ 870

	Year ended September 30 2013	Year ended September 30 2012
Cash used in		
Operating activities	$ (1,044)	$ (1,027)
Investing activities	(49)	(1,724)
Financing activities	(237)	(563)

The certifying officers have evaluated the design and operating effectiveness of the Company's DC&P and ICFR for the year ended September 30, 2013 and have concluded that such DC&P and ICFR were appropriately designed and were operating effectively.

The certifying officers have determined there were no changes in the Company's ICFR that occurred during the year ended September 30, 2013 that have significantly affected, or are reasonably likely to significantly affect, the Company's ICFR.

FORWARD-LOOKING STATEMENTS

In various places in the MD&A, there are forward-looking statements reflecting management's current expectations regarding future economic conditions, results of operations, financial performance and other matters affecting the Company. Forward-looking statements include information regarding possible or assumed future results or transactions as well as statements preceded by, followed by, or that include the words such as "believes," "expects," "anticipates," "estimates," "intends" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of the Company and could cause those results to differ materially from those expressed in any forward-looking statements.

REVIEW OF FINANCIAL RESULTS

Financial data presented herein is expressed in thousands of Canadian dollars and is in accordance with IFRS.

Results of operations

Two-year summary of operating results
(in thousands of dollars, except per share amounts)

	2013	2012
Total revenue	$ 4,441	$ 8,537
Earnings before income taxes	$ 1,408	$ 2,055
Recovery of income taxes	5,509	5,938
Net earnings for the year	$ 6,917	$ 7,993
Basic and diluted earnings per share	$ 0.34	$ 0.39

Total revenue decreased in 2013 by $4.1 million compared to the revenue recorded for the same period in 2012, the result of decreases in housing sales of $4.86 million, interest and other income of $0.14 million, partially offset by an increase in investment property revenue of $0.1 million and an increase in the fair value gain on the Company's investment property of $0.8 million.

As mentioned in previous years, the nature of the Company's business does not allow for a consistent year-to-year volume of sales. Revenue is comprised of sales in specific projects as the marketplace dictates and buyers become available.

House building operations

(in thousands of dollars)

	2013	2012
Revenue from housing sales	$ 1,616	$ 6,475
Housing cost of sales	1,431	5,732
Gross profit from housing sales	$ 185	$ 743

The Company's share of revenue from housing sales as recorded by its joint ventures for 2013 decreased to $1.6 million from the $6.5 million recorded in 2012. This revenue decrease is primarily the result of fewer housing units closed as a result of the Company's decision to no longer acquire any new lots and to complete existing inventory only.

The gross margin percentage on housing sales is a function of the projects sold. Margins vary widely from project to project and are influenced by many factors including market demand in the project's location, the proximity of competing product, the mix of product within the project, the cost of land, the stage in a project when construction cost increases hit the market and the length of time it takes for a project to sell out resulting in higher carrying costs.

The gross margin percentage on housing sales across all projects for 2013 was 11.4% compared to 11.5% for 2012.

Rental operations

(in thousands of dollars)

	2013	2012
Rental revenues	$ 745	$ 644
Rental operating expenses	381	219
Net operating income*	$ 364	$ 425

* Net operating income is an important measure used by management to evaluate the operating performance of the investment property. However, it is not defined under IFRS, does not have a standard meaning and may not be comparable with other companies.

Rental revenue increased by $0.1 million from 2012 to 2013 primarily as a result of rental revenue from three new tenants whose tenancies commenced during 2013 and from a full year rent from a national fitness chain whose tenancy commenced in the second quarter of 2012.

Property operating expenses increased during 2013 compared to 2012 due to increases in building repair and maintenance costs in 2013 related to putting three new tenants in place, moving short-term tenants in and out and other building period costs.

See "ASSETS – Investment property" below for further information on the level of the property's occupancy.

General and administrative expenses

General and administrative expenses increased in 2013 by $0.14 million over those recorded in 2012, the result of increased professional fees incurred in 2013 relating to income tax planning matters.

As previously disclosed in the Company's Management Information Circular dated February 11, 2013, for the years ended September 30, 2013 and 2012, the terms of the Management Agreement provided for management fees of 3% of pre-tax earnings subject to a minimum of $0.3 million. For both years ended September 30, 2013 and 2012 the management fee of $0.3 million, calculated in accordance with the agreement, was recorded in accounts payable and accrued liabilities and included in general and administrative expenses. See "TRANSACTIONS WITH RELATED PARTIES."

Interest and other income

The Company's interest and other income is primarily earned from investments in short-term bank issued securities and syndicated mortgage loans. Income from these investments decreased from $1.4 million in 2012 to $1.2 million in 2013. This decrease was primarily due to the Company having greater investment in low interest rate cash and short-term money market instruments and substantially reduced investment in higher interest rate syndicated mortgage loans during 2013 compared to 2012.

After December 31, 2008, other than fulfilling funding commitments, participating in renewals or extensions on existing syndicated mortgage loans, and in two instances investing in a new syndicated mortgage loan to provide additional security on an existing syndicated mortgage loan with the same borrower, the Company ceased investing in new syndicated mortgage loans with a view to accumulating cash to pay future dividends, which were ultimately paid on January 13, 2010, March 4, 2011 and March 5, 2012.

Interest expense

The interest expense incurred by the Company to finance its house building operations is capitalized to land and housing under development and expensed through housing cost of sales as housing units are closed. The Company incurred interest expense in its rental operations in 2013 of $0.17 million compared to $0.21 million for 2012. This decrease is a result of reduced interest expense resulting from scheduled principal repayments made on the mortgage loan on its Vaughan, Ontario income-producing property together with an interest rate reduction on the mortgage loan from 5% to 4% in the second quarter of 2013.

Income taxes

The 2013 income tax provision of $0.4 million, computed by applying the average statutory Canadian federal and provincial income tax rate of 26.5% to earnings before income taxes was offset by the reversal of a $5.8 million provision for tax exposures recorded in a prior year and no longer considered necessary and $0.1 million for other items.

The 2012 income tax provision of $0.6 million, computed by applying the average statutory Canadian federal and provincial income tax rate of 26.875% to earnings before income taxes was offset by the reversal of a $6.7 million provision for tax exposures recorded in a prior year and no longer considered necessary net of $0.2 million for other items.

Selected quarterly consolidated financial information (unaudited)

(in thousands of dollars, except per share amounts)

	2013				2012			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Revenue	$ 770	$ 1,957	$ 941	$ 773	$ 1,282	$ 2,774	$ 1,909	$ 2,572
Net earnings	$ 61	$ 721	$ 6,061	$ 74	$ 1,449	$ 6,173	$ 188	$ 183
Basic and diluted earnings per share	$ 0.01	$ 0.03	$ 0.30	$ —	$ 0.07	$ 0.30	$ 0.01	$ 0.01

Fluctuations in the quarterly results over the two-year period shown above are mainly due to the timing of housing sales, the timing of the recognition of adjustments to housing cost of sales as discussed earlier in this MD&A, the timing of changes in the fair value of the Company's investment property and the reversal of tax provisions no longer considered necessary in the second quarter of 2013 and the third quarter 2012.

FINANCIAL CONDITION

(in thousands of dollars)

	2013	2012
Investment property	$ 10,705	$ 9,800
Housing under construction	—	1,201
Cash and cash equivalents	3,082	2,397
Restricted cash	1,015	1,051
Amounts receivable	490	334
Short-term investments	37,417	18,268
Marketable securities	2,766	2,257
Investments in syndicated mortgage loans	1,309	6,481
Income tax recoverable	445	8,930
Tenant inducements	399	420
All other assets	82	168
Total assets	$ 57,710	$ 51,307
Long-term financial liability		
Mortgage loan on income-producing property	$ 3,815	$ 4,050

ASSETS

Investment property

Investment property, comprised of the Company's 50%-owned rental building and adjacent rental land in Vaughan, Ontario increased in 2013 by $0.90 million, the result of capital improvements of $0.19 million, leasing costs capitalized of $0.03 million and a fair value adjustment of $0.80 million, decreased by expropriation proceeds of $0.11 million and $0.01 million amortization of leasing costs.

On June 13, 2013, in connection with its redevelopment along the Highway 7 corridor, The Regional Municipality of York ("the Region") expropriated two parcels of land totaling 0.452 acres (at the Company's share - 0.226 acres) of land forming part the Company's investment property. Compensation for the two parcels totaled $215 (at the Company's share - $108) net of a $390 (at the Company's share - $195) soil remediation offset for one of the parcels. The Company has the right to appeal the amount of compensation and the remediation offset without affecting the amount guaranteed, with the Region paying the costs of the appeal. The Company is in the process of preparing an appeal. The Company does not expect this expropriation will impact its present or intended uses for the property.

During the fourth quarter of 2011, the Company entered into an agreement to lease the rental land component of its investment property referred to above to an international chain for use as a fast food restaurant with drive-through for a fifteen-year term with two five-year renewal options. The tenant had originally been expected to commence operations on the site by July 2012 on the completion of the landlord's site work and the tenant's fixturing period but due to unforeseen delays involving the expropriation referred to above, the planning and design process and municipal and regional approvals this was delayed. All approvals have been received with landlord site work and tenant leasehold work now underway. The Company is expecting the tenancy to commence by the second quarter of 2014. The Company's share of the landlord's site preparation costs, originally expected to be approximately $0.15 million, are now expected to be approximately $0.2 million and will be paid from the Company's own resources.

As at September 30, 2012, the Company had achieved a 61% level of occupancy in its investment property.

On November 1, 2012, a new lease commenced for a further 8,000 square feet of space to an office furniture dealer for a term of five years and four months with a five-year renewal option. Also during the first quarter of 2013, a tenant occupying 11,405 square feet vacated its premises on December 9, 2012 before the expiry of its lease.

On April 1, 2013, a new lease commenced for a further 8,915 square feet of space to an artificial flower retail outlet for a ten-year term to commence April 1, 2013 with a five-year renewal option.

On August 1, 2013, a new lease commenced for a further 5,000 square feet of space to a stone and tile showroom and warehouse for a five-year term with a five-year renewal option.

With the new tenancies and termination detailed above, the Company achieved an occupancy level of 68% in its investment property at September 30, 2013.

Housing under construction

Housing under construction was comprised of land and housing inventory in the Company's joint venture house building projects. The Company's inventory of housing under construction of $1.2 million at September 30, 2012 was completed and sold to home buyers in 2013.

Investment in syndicated mortgage loans

The Company's investment in syndicated mortgage loans decreased by $5.2 million during the year, as a result of the proceeds received on maturities, net of a $0.6 million advance under a new loan, with a further commitment of $0.7 million of which $0.23 million has been advanced as of December 17, 2013. These funds received were, for the most part, reinvested in short-term bank issued securities. Refer to the section "RISK MANAGEMENT – Credit and operational risks" later in this MD&A for further comments regarding the Company's investment in syndicated mortgage loans and related risk and loan impairment considerations.

Cash resources

Cash and cash equivalents include unrestricted cash and term deposits with a maturity of three months or less from the date of acquisition. Restricted cash, all held in the Company's house building and investment property joint ventures, includes deposits required to secure outstanding guarantees and letters of credit of $0.18 million and funds held in trust by the project manager of $0.8 million on the basis of $2 thousand per project dwelling unit. These trust funds are held pursuant to the project joint venture agreements and are meant to provide a contingency fund should any warranty or other claims be made with respect to the houses sold. The project manager, at its discretion, may call on joint venture members for additional contingency fund contributions if and when required, pay for additional project costs contemplated when establishing the fund or release remaining funds back to the joint venture for distribution to the members once they are no longer considered necessary to hold. No requests for additional contributions to the contingency fund have been requested by the project manager as at September 30, 2013.

Amounts receivable

Amounts receivable increased in 2013 by $0.16 million as a result of an increase in straight-line rent receivable of $0.08 million, $0.21 due from the Region in connection with the expropriation referred to above and payment for a temporary easement over the Company's lands during the Highway 7 corridor redevelopment, offset by a $0.13 million reduction of amounts due on closing in the Company's house building joint ventures.

LIABILITIES

Loans payable

Loans payable decreased during 2013 by $0.24 million as a result of scheduled principal repayments on the mortgage loan on its Vaughan, Ontario income-producing property.

A condition of the mortgage loan is that the co-tenancy maintains a long-term debt to tangible equity ratio of 3:1. As at September 30, 2013, this condition has been met.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased in 2013 by $0.09 million due to an increase in the Company's share of accounts payable of $0.02 million in its investment property joint venture, increased year-end expense accruals of $0.14 million primarily for professional fees related to income tax planning matters, partially offset by a decrease of $0.07 million in the Company's share of accounts payable in its house building joint ventures.

OUTSTANDING SHARE DATA

At December 17, 2013, the Company's authorized capital stock consists of an unlimited number of Class B, voting shares, without par value, of which 20,575,866 shares are issued and outstanding at a stated value of $35.9 million, unchanged since October 1, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

(in thousands of dollars)

	2013	2012
Cash provided by (used in)		
Operating activities	$ 15,829	$ 9,703
Investing activities	(14,907)	745
Financing activities	(237)	(16,507)
Increase (decrease) in cash and cash equivalents	685	(6,059)
Cash and cash equivalents, beginning of the year	2,397	8,456
Cash and cash equivalents, end of the year	$ 3,082	$ 2,397

Cash and cash equivalents decreased in 2012 by $6.1 million. This decrease resulted from a dividend payment of $15.4 million, $3.5 million of investment net of maturities of short-term money market instruments, income tax installments of $2.6 million, the repayment of bank advances and loans payable of $1.0 million and $0.4 million of other net cash outflows. These cash outflows were partially offset by $4.6 million of cash generated in the Company's house building segment, repayment of the vendor take-back mortgage on the Company's Collingwood, Ontario land sale in a previous year of $6.8 million and $5.4 million of maturities net of advances in the syndicated mortgage loan segment.

Cash and cash equivalents increased in 2013 by $0.7 million. This increase resulted from a refund of income tax over installments of $13.7 million made in prior years, $4.2 million of maturities net of advances in the syndicated mortgage loan segment, $1.2 million of cash generated in the Company's house building segment and $1.5 million of other net cash inflows. These cash inflows were partially offset by the repayment of loans payable of $0.2 million, $19.1 million investment net of maturities of short-term money market instruments and income tax installments of $0.6 million.

The Company continues to use cash flows to fund commitments to additional funding of existing syndicated mortgage loans and to invest in cash equivalents and short-term money market investments. The Company's cash and cash equivalents serve to provide the Company with sufficient liquidity to carry on its business activities.

On February 13, 2012, the Company declared a special dividend of $0.75 per Class B share payable to shareholders of record at the close of business on February 23, 2012. The dividend, totaling $15,432 was paid on March 5, 2012.

Management expects to be able to fund the repayment of the Company's mortgage loans payable as payments fall due or to be able to refinance such loans on their maturity.

TRANSACTIONS WITH RELATED PARTIES

The Company has entered into transactions with other entities in which the following individuals hold management positions as noted in the following tables:

(in thousands of dollars)

September 30, 2013	Note	Receives management fees from the Company	Receives fees for legal services provided to the Company	Receives property management fees to manage the investment property	Pays rent to the Company for space leased in the Company's investment property	Receives interest for loans made to a house building joint venture	Receives payment for construction contracting services to house building joint ventures
Marc Muzzo	(1)	150				—	—
Stanley Goldfarb	(2)	150					
Rudolph P. Bratty	(3)		3				
Dani Cohen	(4)			25	157		
Mark Kornhaber	(5)				2		

September 30, 2012	Note	Receives management fees from the Company	Receives fees for legal services provided to the Company	Receives property management fees to manage the investment property	Pays rent to the Company for space leased in the Company's investment property	Receives interest for loans made to a house building joint venture	Receives payment for construction contracting services to house building joint ventures
Marc Muzzo	(1)	150				36	1
Stanley Goldfarb	(2)	150					
Rudolph P. Bratty	(3)		3				
Dani Cohen	(4)			25	155		
Mark Kornhaber	(5)				9		

(1) Marc Muzzo is a shareholder, director and officer of the Company who holds management positions in entities that have provided management and other services to the Company as noted in the tables above. He is also a co-investor with the Company in some of its syndicated mortgage loans.

(2) Stanley Goldfarb is a shareholder, director and officer of the Company who holds a management position in an entity that has provided management services to the Company as noted in the tables above. He is also a co-investor with the Company in some of its syndicated mortgage loans and a director of a Toronto Stock Exchange listed company that is a co-investor in all of the Company's syndicated mortgage loans.

(3) Rudolph P. Bratty is a shareholder and director of the Company who exerts significant influence on a law firm that is paid legal fees for legal services to the Company as noted in the tables above.

(4) Dani Cohen is a joint venture partner in the Company's investment property. He is paid management fees for management services to the property and pays rent for space leased in the property as noted in the tables above.

(5) Marc Kornhaber is a joint venture partner in the Company's investment property. He pays rent for space leased in the property as noted in the tables above.

RISK MANAGEMENT

Interest rate risk

The Company is subject to interest rate fluctuations, however, current low and stable interest rates have lessened the risk associated with such fluctuations. The investments in syndicated mortgage loans are repayable in full at the option of the borrower at any time, and are subject to a minimum specified rate of interest or prime plus a specified interest spread if such exceeds the minimum specified rate. The Company's debt comprises a mortgage loan payable on an income-producing property.

Credit and operational risks

The Company's credit risk relates to the potential of financial loss resulting from the failure of a borrower or counterparty to fully honour its financial or contractual obligations, such as to repay principal and/or interest on a syndicated mortgage loan. Fluctuations in real property values may increase the risk of default and may also reduce the net realizable value of the collateral real property to the Company. Credit losses occur when the counterparty fails to meet its obligations to the Company and the value realized on sale of the underlying security deteriorates below the carrying amount of the exposure. Credit risk is mitigated through credit enhancement, which is comprised of excess spread and obtaining sufficient real property collateral, as well as monitoring the level of concentration of credit risk from individual borrowers. Furthermore, the Company leverages the credit risk management objectives, policies and procedures of the mortgage syndicator to help mitigate the credit risk. These policies and procedures govern credit administration and arrears management.

The Company's operational risk relates to the potential of losses on housing under construction resulting from any instability in the real estate sector in the Greater Toronto Area and any reduction in the level of activity in the Company's house building joint ventures.

The Company's maximum exposure to credit risk consists of the carrying values of cash and cash equivalents, restricted cash, amounts receivable, investment in syndicated mortgage loans and marketable securities.

As at September 30, 2013, none of the Company's financial assets are past due.

The Company held a 30% interest in a first charge syndicated mortgage loan and a 60% interest in a second charge syndicated mortgage loan on a townhouse development under construction in the Greater Toronto Area. The Company's investment in these two loans, both of which were over 90 days past due, totaled $1,447 at September 30, 2012. Both loans were repaid in 2013 without loss to the Company.

Liquidity risk

Liquidity risk is managed by maintaining cash and cash equivalents in excess of projected needs, which includes the funding of a commitment under one of the Company's syndicated mortgage loan investments amounting to $702 (September 30, 2012 - $47).

The following table summarizes the contractual amounts and maturity of the Company's financial liabilities on an undiscounted basis:

Contractual obligations are due as follows:
(in thousands of dollars)

	Total	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loans payable (1)	$ 5,088	$ 387	$ 745	$ 705	$ 3,251
Accounts payable and accrued liabilities	1,090	1,020	70	—	—
Further advances under a syndicated mortgage loan (2)	702	702	—	—	—
Liabilities and other contractual obligations	$ 6,880	$ 2,109	$ 815	$ 705	$ 3,251

(1) A 4% interest rate has been used for the remaining term to maturity.

(2) Based on management's estimate of the timing of borrower requesting additional funding as per the terms of the original lending agreement. Any such additional funding will form part of the Company's investment in syndicated mortgage loans.

Environmental risks

As an owner of real property, the Company is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Company could be liable for costs of removal and remediation of certain hazardous toxic substances released on or in its properties, or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell such real property or to borrow using such real property as collateral and, potentially, could result in claims against the Company. The Company is not aware of any material environmental liabilities at the present time.

FUTURE ACCOUNTING CHANGES

Accounting standards issued and yet to be applied

Unless otherwise noted, the following new standards and amendments to existing standards apply to annual periods beginning on or after January 1, 2013 with earlier adoption permitted. The Company has not yet assessed the impact of these new standards and amendments on its consolidated financial statements.

(a) IFRS 9 – Financial Instruments

This standard was issued in November 2009 and is effective for annual periods beginning on or after January 1, 2015. The standard addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(b) IFRS 10 – Consolidated Financial Statements

This standard requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation — Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

(c) IFRS 11 – Joint Arrangements

This standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-monetary Contributions By Venturers.

(d) IFRS 12 – Disclosure of Interests in Other Entities

This standard establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and non-consolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures that address the nature of, and risks associated with, an entity's interests in other entities.

(e) IFRS 13 – Fair Value Measurement

This standard is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

(f) Amendments to existing standards not yet effective

There have been amendments to existing standards, including IAS 27, Separate Financial Statements ("IAS 27"), and IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

FINANCIAL INSTRUMENTS

(in thousands of dollars)

The three levels of the fair value hierarchy, that prioritize the inputs to fair value measurement, are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
Level 3 – inputs that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as described above as at September 30, 2013 and September 30, 2012:

September 30, 2013	Level 1	Level 2	Level 3	Total
Short-term investments	$ 37,417	$ —	$ —	$ 37,417
Marketable securities	2,766	—	—	2,766
	$ 40,183	$ —	$ —	$ 40,183

September 30, 2012	Level 1	Level 2	Level 3	Total
Short-term investments	$ 18,268	$ —	$ —	$ 18,268
Marketable securities	2,257	—	—	2,257
	$ 20,525	$ —	$ —	$ 20,525

Fair value

The fair values of investments traded in active markets, such as marketable securities available-for-sale, are based on the quoted bid price on the consolidated balance sheet date.

The fair values of cash and cash equivalents, restricted cash, investments in term deposits and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The fair value of investments in syndicated mortgage loans approximates their carrying value, as they are repayable in full at the option of the borrower at any time and, for the most part, the interest rate is subject to adjustment.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of the financial condition and financial performance of the Company is based on the consolidated financial statements, which are prepared in accordance with IFRS. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements. Estimates and assumptions are evaluated on an ongoing basis. Estimates are based on historical experience and other assumptions that management believes are reasonable and appropriate in the circumstances. Actual results could differ from those estimates.

Management believes the most critical accounting estimates are as follows:

Impairment of investments in syndicated mortgage loans

The Company reviews its investments in individual syndicated mortgage loans on a regular basis to evaluate the risk of default on any outstanding loan, which would result in the ultimate realization of less than the balance owing. Factors such as the prospect for completion of the development and sale of the underlying real property security and the present value of estimated future cash flows from the project are taken into consideration when estimating impairment.

Fair value of investment property

The fair value of the Company’s last remaining investment property was determined by qualified external valuation professionals at September 30, 2013 and September 30, 2012. This property is comprised of two components, a rental building and adjoining rental land. The valuation of the building was done using the “Discounted Cash Flow Method” in which the income and expenses are projected over the anticipated term of the investment. The valuation of the rental land was done using the “Overall Capitalization Rate Method” whereby the net operating income is capitalized at the requisite overall capitalization rate.

Estimated costs to complete housing under development

The Company incurs soft costs, such as interest and realty taxes, in its house building operations. Such costs are estimated over the life of a project and allocated on a pro rata basis to each unit sold. These estimates are regularly revisited and adjusted up or down in light of changing circumstances. The Company accounts for such changes in estimates using the cumulative catch-up method whereby estimated cost increases or decreases are applied to all house sales in the project (past, current and future). Using this method results in a cumulative adjustment in a current period to account for the estimated cost increase or decrease on a pro rata basis to homes sold in prior periods.

Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions of future periods. The measurement of deferred income tax liabilities at the consolidated balance sheet dates requires management to make estimates and assumptions regarding the timing of when temporary differences are expected to reverse. Actual results could differ from those estimates.

OFF-BALANCE SHEET ARRANGEMENTS

Financial guarantees

The Company has letters of credit available totaling $0.2 million (2012 - $0.3 million), of which $0.1 million (2012 - $0.3 million) has been utilized in support of its obligation to complete servicing requirements in connection with various house building projects.

The Company is contingently liable for its associates’ share of the obligations in joint ventures and co-tenancy developments. At September 30, 2013, the Company’s associates’ share of the obligations of such entities comprises liabilities of $1.1 million (2012 - $0.9 million) and letters of credit of $0.4 million (2012 - $0.7 million) in support of obligations to complete servicing requirements in connection with various house building projects. In each case, assets of the joint ventures and co-tenancy developments, consisting primarily of cash and cash equivalents and housing under development, are available to satisfy such obligations.

Commitments

The Company has commitments to make additional advances totaling $0.7 million under one of the syndicated mortgage loans described above of which $0.23 million has been advanced as of December 17, 2013.

OUTLOOK

As at September 30, 2013, the Company had completed and closed its remaining housing inventory and management does not intend to invest further in housing construction.

The Company's last remaining real estate holding consists of the investment property and adjoining rental land described above under "Financial Condition – Assets." The Company is continuing with its efforts to complete the leasing of its Vaughan, Ontario investment property. Management is continuing to receive expressions of interest to lease space in the building and has been working with prospective tenants with some success as discussed above. No new space has been leased subsequent to September 30, 2013.

Management continues to closely monitor the Company's investments in syndicated mortgage loans. No losses have been realized on any of the Company's investments and management believes they are adequately secured by the underlying real property security.

Management and the Board of Directors continue to assess the basis for the Company's ongoing operations with a view to maximizing shareholder value.

Additional information relating to the Company has been filed on SEDAR and can be found at www.sedar.com.

MANAGEMENT'S RESPONSIBILITIES

The consolidated financial statements of Consolidated HCI Holdings Corporation have been prepared by management of the Company in accordance with International Financial Reporting Standards.

Management maintains appropriate controls to provide reasonable assurance that the assets of the Company, its subsidiaries and joint ventures are safeguarded and that financial information is reliable and accurate. Where necessary, management uses judgment to make estimates based on informed knowledge of the facts.

The Board of Directors bears ultimate responsibility for the consolidated financial statements. An Audit Committee composed of independent directors has reviewed in detail these consolidated financial statements with management and also with the external auditor appointed by the shareholders. The Audit Committee has recommended its approval to the Board. The Board of Directors has approved these consolidated financial statements.

All other financial and operating data included in the annual report are consistent with information contained in the consolidated financial statements and have been reviewed by the Board of Directors.

Stanley Goldfarb
President and Treasurer

December 19, 2013

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CONSOLIDATED HCI HOLDINGS CORPORATION

We have audited the accompanying consolidated financial statements of Consolidated HCI Holdings Corporation and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2013 and September 30, 2012 and the consolidated statements of earnings, changes in shareholders' equity, comprehensive income and cash flows for the years ended September 30, 2013 and September 30, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Consolidated HCI Holdings Corporation and its subsidiaries as at September 30, 2013 and September 30, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)	September 30 2013	September 30 2012
ASSETS		
Non-current assets		
Investment property (note 7)	$ 10,705	$ 9,800
Investment in syndicated mortgage loans (note 12(a))	968	2,682
Amounts receivable (note 10)	235	167
Tenant inducements (note 11)	377	398
	12,285	13,047
Current assets		
Housing under construction (note 8)	—	1,201
Cash and cash equivalents (note 9(a))	3,082	2,397
Restricted cash (note 9(b))	1,015	1,051
Amounts receivable (note 10)	255	167
Investment in syndicated mortgage loans (note 12(a))	341	3,799
Short-term investments (note 12(b))	37,417	18,268
Marketable securities (note 12(c))	2,766	2,257
Income tax recoverable	445	8,930
Tenant inducements (note 11)	22	22
Other	82	168
	45,425	38,260
	$ 57,710	$ 51,307
LIABILITIES		
Non-current liabilities		
Loan payable (notes 13 and 21)	$ 3,578	$ 3,817
Accounts payable and accrued liabilities (note 21)	70	—
Deferred income taxes and other tax liabilities (note 14)	1,329	2,148
	4,977	5,965
Current liabilities		
Loan payable (notes 13 and 21)	237	233
Accounts payable and accrued liabilities (note 21)	1,020	1,002
	1,257	1,235
	6,234	7,200
SHAREHOLDERS' EQUITY		
Capital stock (note 15)	35,890	35,890
Retained earnings	14,860	7,943
Accumulated other comprehensive income	726	274
	51,476	44,107
	$ 57,710	$ 51,307

Contingencies and commitments (note 23)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

Director

Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended September 30 (in thousands of Canadian dollars, except share and per share amounts)	2013	2012
Housing revenue	$ 1,616	$ 6,475
Housing cost of sales	1,431	5,732
Gross margin on housing	185	743
Investment property revenue (note 21)	745	644
Investment property operating expenses	381	219
Net rental income	364	425
Other income and (expenses)		
General and administrative (notes 21 and 22)	(1,038)	(900)
Interest and other income	1,282	1,418
Interest expense	(172)	(208)
Reversal of loss provision on syndicated mortgage loans	—	690
Amortization of leasing costs	(11)	(10)
Fair value gain (loss) on investment property (note 7)	798	(103)
	859	887
Earnings before income taxes	1,408	2,055
Recovery of income taxes (note 14)	(5,509)	(5,938)
Net earnings for the year	$ 6,917	$ 7,993
Basic and diluted earnings per share	$ 0.34	$ 0.39
Weighted average number of shares outstanding	20,575,866	20,575,866

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)	Capital stock	Retained earnings	Accumulated other comprehensive income	Total equity
Balance – October 1,2011	$ 35,890	$ 15,382	$ 180	$ 51,452
Net earnings for the year	—	7,993	—	7,993
Other comprehensive income	—	—	94	94
Dividends paid (note 16)	—	(15,432)	—	(15,432)
Balance – September 30, 2012	35,890	7,943	274	44,107
Net earnings for the year	—	6,917	—	6,917
Other comprehensive income	—	—	452	452
Balance – September 30, 2013	$ 35,890	$ 14,860	$ 726	$ 51,476

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended September 30 (in thousands of Canadian dollars)	2013	2012
Net earnings for the year	$ 6,917	$ 7,993
Other comprehensive income, net of income tax		
Unrealized gains arising during the year on available-for-sale financial assets	452	94
Comprehensive income for the year	$ 7,369	$ 8,087

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30 (in thousands of Canadian dollars)	2013	2012
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net earnings for the year	$ 6,917	$ 7,993
Deduct non-cash items (note 20(a))	(833)	(326)
Costs recovered through sales of real estate	1,431	5,732
Expenditures on housing under development and land	(230)	(1,178)
Leasing costs incurred	(34)	(84)
Tenant inducements incurred	—	(432)
Changes in non-cash operating balances (note 20(b))	8,578	(2,002)
	15,829	9,703
INVESTING ACTIVITIES		
Investment property		
Additions	(192)	(478)
Expropriation proceeds	108	—
Investment in syndicated mortgage loans		
Advances	(570)	(749)
Sales or maturities	4,774	6,197
Marketable securities		
Purchases	(81,436)	(57,100)
Sales or maturities	62,373	53,604
Restricted cash	36	(729)
	(14,907)	745
FINANCING ACTIVITIES		
Bank advances – net	—	(328)
Repayments of mortgage loan on investment property	(237)	(237)
Repayment of loans from related parties	—	(510)
Dividends paid	—	(15,432)
	(237)	(16,507)
Increase (decrease) in cash and cash equivalents during the year	685	(6,059)
Cash and cash equivalents, beginning of the year (note 9)	2,397	8,456
Cash and cash equivalents, end of the year (note 9)	$ 3,082	$ 2,397

SUPPLEMENTARY INFORMATION (note 20(c))

The accompanying notes are an integral part of these consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Consolidated HCI Holdings Corporation and its subsidiaries (together "CHCI" or the "Company") is an Ontario based, publicly traded real estate development company trading on the Toronto Stock Exchange under the symbol CXA.B. The activities of the Company include the redevelopment of an existing industrial property in Vaughan, Ontario for industrial and commercial uses to lease to others. The Company also conducts activities through various ventures in the building and selling of new homes on land purchased from others and invests in syndicated mortgage loans, which are secured by real property developments of other land developers and builders. The address of its registered office is 40 King Street West, Suite 2100, Toronto, Ontario.

The Board of Directors approved the consolidated financial statements on December 17, 2013.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of consolidated annual financial statements. The policies applied in these consolidated financial statements are based on IFRS policies effective as of September 30, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company together with the Company's proportionate share of the assets, liabilities, revenue and expenses of joint ventures and co-tenancies.

Investment Property

The Company's investment property constitutes a commercial property held to earn rental income and for capital appreciation and is not for sale in the ordinary course of business. Investment property is recorded initially at cost and subsequently at fair value as determined by qualified external valuation professionals at the consolidated balance sheet dates. Changes in fair value are recognized in the consolidated statements of earnings. Subsequent expenditures are capitalized to the asset carrying amount only when it is probable that future economic benefit associated with the expenditure will flow to the Company and the cost of the item can be reliably measured. All other repair and maintenance costs are expensed when incurred.

Financial Instruments

The Company's designations and measurement of the basis of its financial instruments are as follows:

Cash and cash equivalents and restricted cash, amounts receivable, investment in syndicated mortgage loans, marketable securities and short-term investments consisting of term deposits are classified as "Loans and Receivables." After their initial recognition at fair value, these instruments are recorded at amortized cost using the effective interest rate method.

When in management's opinion, collection of the principal and interest on syndicated mortgage loans is no longer reasonably assured and the loans are not fully secured, allowances are made to reduce the carrying value of the loans to their estimated net realizable amount determined by the fair value of the collateral underlying the loans net of expected costs.

Marketable securities, consisting of equity investments, are classified as "Available-for-sale Securities." These financial assets are recognized at the trade date and recorded at fair value through other comprehensive income at each year-end using quoted market prices.

Loans payable and accounts payable and accrued liabilities are classified as "Other Liabilities." After their initial recognition at fair value less directly attributable transaction costs, these instruments are recorded at amortized cost using the effective interest rate method. Transaction costs are recognized in comprehensive income over the expected life of the debt.

The Company expenses transaction costs related to amounts receivable, investment in syndicated mortgage loans and marketable securities that are available-for-sale.

Tenant Inducements

Cash inducements paid to tenants to enter into leases are amortized as a reduction in rental revenue over the term of the lease on a straight-line basis.

Housing Under Construction

Housing under construction is carried at the lower of cost and net realizable value. Net realizable value represents the amount of estimated net sales proceeds, taking into account management's assumptions and projections for the development of the property and market conditions.

Capitalization of Costs

The Company capitalizes certain costs applicable to housing under construction. These costs include costs incurred during the development period, such as specific interest, realty taxes and that portion of general and administrative expenses directly attributable to the house building project.

Revenue Recognition

Rental Revenue

Rental revenue is recognized using the straight-line method whereby any contractual rent increases over the term of a lease are recognized as revenue on a straight-line basis.

The recovery of property operating expenses from tenants is recognized as revenue in the period in which the applicable expense is incurred.

Interest Income

Interest income is recognized using the effective interest rate method.

Housing Sales Revenue

Revenue from housing sales is recognized at the time of closing, which is the point where all material conditions of the transactions have been fulfilled and title has passed to the purchaser. Revenue from low-rise condominium projects is recognized when interim closing occurs. The cost of sales of houses is based on total costs incurred as well as a provision for costs to complete.

Income Taxes

Income tax expense consists of current and deferred income tax expense. Current income taxes are the expected taxes payable on the taxable income for the period using income tax rates enacted or substantively enacted at the end of the reporting period and any adjustments to income taxes payable in respect of previous years.

Deferred income taxes are the amount of income taxes expected to be paid or recovered in future periods in respect of temporary differences and unutilized tax losses. Deferred income taxes are determined based on differences between financial statement values and income tax values of assets and liabilities using substantively enacted income tax rates and laws expected to be in effect when the deferred income tax asset or liability is settled. Deferred income taxes relating to fair value adjustments to investment properties reflect the tax consequences of recovering the carrying amount through sale.

Operating Segments

A reportable segment is a distinguishable component of the Company that is engaged in providing related products or services which is subject to the risks and rewards that are different from those of other reportable segments. The Company's operating segments are the construction and operation of an investment property, the construction and sale of residential units and the investment in syndicated mortgage loans and are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, determined to be the Chief Executive Officer and the Vice-president.

4. CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates and judgments that could have a material impact on the consolidated financial statements within the next fiscal year are addressed below.

(a) Impairment of Investments in Syndicated Mortgage Loans

The Company reviews its investments in individual syndicated mortgage loans on a regular basis to evaluate the risk of default on any outstanding loan, which would result in the ultimate realization of less than the balance owing. Factors such as the prospect for completion of the development and sale of the underlying real property security and the present value of estimated future cash flows from the project are taken into consideration when estimating impairment.

(b) Fair Value of Investment Property

The fair value of the Company's investment property was determined by qualified external valuation professionals at September 30, 2012 and September 30, 2013. This property is comprised of two components, a rental building and adjoining rental land. The valuation of the building was done using the "Discounted Cash Flow Method" in which the income and expenses are projected over the anticipated term of the investment. The valuation of the rental land was done using the "Overall Capitalization Rate Method" whereby the net operating income is capitalized at the requisite overall capitalization rate.

(c) Estimated Costs to Complete Housing Under Construction

The Company incurs soft costs, such as interest and realty taxes, in its house building operations. Such costs are estimated over the life of a project and allocated on a pro rata basis to each unit sold. These estimates are regularly revisited and adjusted up or down in light of changing circumstances. The Company accounts for such changes in estimates using the cumulative catch-up method whereby estimated cost increases or decreases are applied to all house sales in the project (past, current and future). Using this method results in a cumulative adjustment in a current period to account for the estimated cost increase or decrease on a pro rata basis to homes sold in prior periods.

(d) Income Taxes

The Company is subject to income taxes in one jurisdiction. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions of future periods. The measurement of deferred income tax liabilities at the consolidated balance sheet dates requires management to make estimates and assumptions regarding the timing of when temporary differences are expected to reverse. Actual results could differ from those estimates.

5. Accounting Standards Issued and Yet to Be Applied

Unless otherwise noted, the following new standards and amendments to existing standards apply to annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of these new standards and amendments on its consolidated financial statements.

(a) IFRS 9 – Financial Instruments

This standard was issued in November 2009 and is effective for annual periods beginning on or after January 1, 2015. The standard addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(b) IFRS 10 – Consolidated Financial Statements

This standard requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation – Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

(c) IFRS 11 – Joint Arrangements

This standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-monetary Contributions By Venturers.

(d) IFRS 12 – Disclosure of Interests in Other Entities

This standard establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and non-consolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures that address the nature of, and risks associated with, an entity’s interests in other entities.

(e) IFRS 13 – Fair Value Measurement

This standard is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

(f) Amendments to existing standards not yet effective

There have been amendments to existing standards, including IAS 27, Separate Financial Statements ("IAS 27"), and IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

6. SEGMENTED INFORMATION

The Company operates in southern Ontario, in the Greater Toronto Area and surrounding communities and has three reportable segments: the construction and operation of an investment property, the construction and sale of residential units and the investment in syndicated mortgage loans. The results of operations and amounts invested in these segments are as follows:

	Revenue		Earnings	
	2013	2012	2013	2012
Investment property	$ 1,543	$ 644	$ 979	$ 104
Residential construction	1,644	6,498	213	766
Syndicated mortgage loans	740	1,041	740	1,731
Unallocated amounts				
Interest income	514	354	514	354
	$ 4,441	$ 8,537		
General and administrative expenses			(1,038)	(900)
Recovery of income taxes			5,509	5,938
Net earnings for the year			$ 6,917	$ 7,993

Identifiable assets	Investment property	Residential construction	Syndicated mortgage loans	Unallocated corporate assets	Total assets
September 30, 2013	$ 11,716	$ 1,677	$ 1,309	$ 43,008	$ 57,710
September 30, 2012	$ 10,566	$ 4,287	$ 6,481	$ 29,973	$ 51,307

Identifiable liabilities	Investment property	Residential construction	Syndicated mortgage loans	Unallocated corporate liabilities	Total liabilities
September 30, 2013	$ 4,186	$ 183	$ —	$ 1,865	$ 6,234
September 30, 2012	$ 4,403	$ 252	$ —	$ 2,545	$ 7,200

Capital expenditures in the investment property segment for the year ended September 30, 2013 amounted to $226 (2012 - $994).

7. INVESTMENT PROPERTY

		2013		2012
Balance, beginning of the year	$	9,800	$	9,351
Amortization of leasing costs		(11)		(10)
Additions		192		478
Expropriation proceeds		(108)		—
Fair value adjustment		798		(103)
Leasing costs incurred		34		84
Balance, end of the year	$	10,705	$	9,800

On June 13, 2013, in connection with its redevelopment along the Highway 7 corridor, The Regional Municipality of York ("the Region") expropriated two parcels of land totaling 0.452 acres (at the Company's share - 0.226 acres) of land forming part the Company's investment property. Compensation for the two parcels totaled $215 (at the Company's share - $108) net of a $390 (at the Company's share - $195) soil remediation offset for one of the parcels. The Company has the right to appeal the amount of compensation and the remediation offset without affecting the amount guaranteed, with the Region paying the costs of the appeal. The Company is in the process of preparing an appeal.

The basis of valuation of the Company's investment property is set out in note 4(b). The key valuation metrics for the investment property are set out in the following table:

		2013			2012	
Capitalization rate	Minimum	Maximum	Applied	Minimum	Maximum	Applied
Rental building	7.75%	8.25%	8.0%	8.0%	8.5%	8.25%
Adjoining land	4.3%	5.9%	5.75%	4.85%	6.0%	6.0%

Presented separately from investment property is $246 (September 30, 2012 - $171) of net straight-line rent receivable (included in note 10) arising from recognition of rental revenues on a straight-line basis over the lease term and $399 (2012 - $420) of tenant inducements (included in note 11) in accordance with IAS 17, Leases. The fair value of the investment property has been reduced by these amounts presented separately.

The Company's investment property, exclusive of the adjacent land component referred to above, which is unencumbered, with a fair value of $9,855 (September 30, 2012 - $8,900), has been pledged as security for a mortgage loan payable (note 13).

8. HOUSING UNDER CONSTRUCTION

		2013		2012
Housing under construction	$	—	$	1,201

As of September 30, 2013, the Company has completed and closed all of its housing inventory.

9. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents consist of the following:

	2013	2012
Cash	$ 2,269	$ 678
Term deposits	813	1,719
Total cash and cash equivalents	$ 3,082	$ 2,397

Cash and cash equivalents include unrestricted cash and term deposits with a maturity of three months or less from the date of acquisition.

Included in cash and cash equivalents is the Company's proportionate share of cash and cash equivalents of the Company's proportionately consolidated house building and investment property operations of $761 (September 30, 2012 - $1,913).

(b) Restricted cash is as follows:

	2013	2012
Total restricted cash	$ 1,015	$ 1,051

Restricted cash, all held in the Company's house building and investment property joint ventures, includes deposits required to secure outstanding guarantees and letters of credit of $184 and funds held in trust by the house building project manager of $831 on the basis of $2 per project dwelling unit. These trust funds are held pursuant to the project joint venture agreements and are meant to provide a contingency fund should any warranty or other claims be made with respect to the houses sold. The project manager may, at its discretion, call on joint venture members for additional contingency fund contributions if and when required, pay for additional project costs contemplated when establishing the fund or release remaining funds back to the joint venture for distribution to the members once they are no longer considered necessary to hold.

10. AMOUNTS RECEIVABLE

	2013	2012
Straight-line rent receivable	$ 246	$ 171
Other	244	163
	$ 490	$ 334
Non-current	$ 235	$ 167
Current	255	167
	$ 490	$ 334

11. TENANT INDUCEMENTS

	2013	2012
Tenant inducements	$ 432	$ 432
Less: Accumulated amortization	(33)	(12)
	$ 399	$ 420
Non-current	$ 377	$ 398
Current	22	22
	$ 399	$ 420

Cash inducements paid to tenants to enter into leases are amortized as a reduction in rental revenue over the term of the lease on a straight-line basis.

12. INVESTMENTS IN SYNDICATED MORTGAGE LOANS, SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES

	2013	2012
(a) Syndicated mortgage loans are secured by real property, for remaining terms from 1 to 35 months (September 30, 2012 – 1 to 48 months) bearing interest at a year-end weighted average rate of 9.69% (2012 – 8.44%) per annum.		
Non-current	$ 968	$ 2,682
Current	341	3,799
	$ 1,309	$ 6,481

The Company has a commitment to make additional advances totaling $702 under one of its syndicated mortgage loans.

The syndicated mortgage loans can be repaid by the borrowers prior to maturity and are due as follows: $341 in 2014, $667 in 2015 and $301 in 2016.

At September 30, 2013, syndicated mortgage loans to three different borrowers in amounts totaling $151, $500 and $570, individually account for more than 10% of the Company's total syndicated mortgage loan portfolio. In addition, the Company is exposed to concentration of credit risk, whereby approximately 87% of the syndicated mortgage loans related to projects in the Greater Toronto Area.

Outstanding syndicated mortgage loans past due but not impaired are as follows:

	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	2013 Total
Syndicated mortgage loans	$ —	$ —	$ —	$ —	$ —

	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	2012 Total
Syndicated mortgage loans	$ —	$ —	$ —	$ 1,447	$ 1,447

At September 30, 2012, the Company held a 30% interest in a first charge syndicated mortgage loan and a 60% interest in a second charge syndicated mortgage loan on a townhouse development under construction in the Greater Toronto Area. The Company's investment in these two loans totaled $1,447 at that date and both loans were over 90 days past due. Both of these loans were repaid in full during 2013.

		2013		2012
(b) Short-term investments consist of the following: Canadian chartered bank term deposits issued for periods of 90 days or greater, bearing interest at a year-end weighted average rate of 1.50% (2012–1.57%)	$	37,417	$	18,268

		2013		2012
(c) Marketable securities consist of the following:				
16,000 CIBC non-cumulative Class A preferred shares, Series 27, to yield 5.6% per annum (cost – $400)	$	400	$	411
12,000 TD Bank Class A first preferred shares, Series O, to yield 4.85% per annum (cost – $300)		305		313
1,937 (2012 – 3,130) Faircourt Split Seven Trust, preferred securities, due December 31, 2014, to yield 6.25% (cost – $19; 2012 – $31)		20		32
52,840.03 B/1 shares York Select Unit Trust (cost – US$1,000; fair value US$1,985; 2012 – fair value – US$1,527).		2,041		1,501
	$	2,766	$	2,257

13. LOAN PAYABLE

The loan is as follows:

	2013	2012
Secured by an investment property, net of deferred financing fees of $26 (2012 – $28)	$ 3,815	$ 4,050

Principal repayments on the loan payable are due as follows:

Years ending September 30,	2014	$ 237
	2015	237
	2016	237
	2017	237
	2018	237
	Thereafter	2,656
		3,841
	Less: Financing fee	26
		$ 3,815

The estimated fair value of loans payable at September 30, 2013 is $3,815 (2012- $4,050) because these loans payable bear interest at a variable rate.

The loan payable secured by an investment property constitutes the Company's 50% share of a first mortgage loan on its Vaughan, Ontario property. Until February 27, 2013 the loan bore interest at 5.0%, the Business Development Bank of Canada's base rate for commercial and industrial loans. Effective February 28, 2013 the rate charged by the bank was reduced to 4.0% and remained at that rate throughout the remainder of 2013. The loan matures in 2029. The Company has provided the lender with a guarantee of 50% of amounts due under the loan.

14. INCOME TAXES

a) Significant components of the income tax provision (recovery) for the years ended September 30 are as follows:

	2013	2012
Current	$ (4,621)	$ (6,145)
Deferred	(888)	207
Recovery of income taxes	(5,509)	(5,938)
Income tax provision on other comprehensive income included in deferred income taxes	69	12
	$ (5,440)	$ (5,926)

b) The income tax provision (recovery) differs from the amount computed by applying the average statutory Canadian federal and provincial income tax rates to earnings before income taxes. These differences are as follows:

	2013	2012
Expected income tax at 26.5% (2012 – 26.875%)	$ 373	$ 552
Reversal of provision no longer considered necessary	(5,780)	(6,700)
Other	(102)	210
Income tax recovery in consolidated statements of earnings	(5,509)	(5,938)
Income tax provision in consolidated statements of comprehensive income	69	12
	$ (5,440)	$ (5,926)

c) Deferred income taxes and other tax liabilities relate to:

	2013	2012
Temporary differences:		
Capital cost allowance in excess of accounting amortization booked	$ 346	$ 309
Costs capitalized for accounting, deducted for income tax	296	350
Unrealized gain on investment property	511	371
Mortgage reserves and discounts on amounts receivable	65	46
Other comprehensive income	111	42
	1,329	1,118
Other reserves and provisions	—	1,030
	$ 1,329	$ 2,148
Comprised of:		
Deferred income tax liabilities reversing after more than 12 months	$ 1,286	$ 1,052
Deferred income tax liabilities reversing within 12 months	43	1,096
	$ 1,329	$ 2,148

15. CAPITAL STOCK

AUTHORIZED

Unlimited Class B, voting shares, without par value

Details of issued capital stock, unchanged since October 1, 2011, are as follows:

	Number of shares	Amount
Balance, September 30, 2013 and 2012	20,575,866	$ 35,890

16. DIVIDENDS PAID

On February 13, 2012, the Company declared a special dividend of $0.75 per Class B share payable to shareholders of record at the close of business on February 23, 2012. The dividend, totaling $15,432, was paid on March 5, 2012.

17. FINANCIAL INSTRUMENTS

Fair Values

The fair values of investments traded in active markets, such as marketable securities classified as available-for-sale, are based on the quoted bid price on the consolidated balance sheet dates.

The fair values of cash and cash equivalents, restricted cash, amounts receivable, short-term investments and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The fair value of investments in syndicated mortgage loans approximates their carrying value, as they are repayable in full at the option of the borrower at any time and, for the most part, the interest rate is subject to adjustment.

The three levels of the fair value hierarchy, that prioritize the inputs to fair value measurement, are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
Level 3 – inputs that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as described above as at September 30, 2013 and September 30, 2012:

September 30, 2013	Level 1	Level 2	Level 3	Total
Short-term investments	$ 37,417	$ —	$ —	$ 37,417
Marketable securities	2,766	—	—	2,766
	$ 40,183	$ —	$ —	$ 40,183

September 30, 2012	Level 1	Level 2	Level 3	Total
Short-term investments	$ 18,268	$ —	$ —	$ 18,268
Marketable securities	2,257	—	—	2,257
	$ 20,525	$ —	$ —	$ 20,525

Market Risk – Interest Rate Risk

The Company is subject to interest rate fluctuations; however, current low and stable interest rates have lessened the risk associated with such fluctuations. The syndicated mortgage loans are repayable in full at the option of the borrower at any time and, for the most part, are subject to a minimum specified rate of interest or prime plus a specified interest spread if such exceeds the minimum specified rate. The Company's debt comprises a mortgage loan payable on an investment property.

The following interest sensitivity table outlines the potential impact of a 1% change in interest rates on variable rate assets and liabilities for the year ended September 30, 2013:

		Interest rate risk			
		-1%		+1%	
Increase (decrease)	Carrying value	Net earnings	Equity	Net earnings	Equity
Financial assets					
Cash and cash equivalents	$ 3,082	$ (23)	$ (23)	$ 23	$ 23
Investment in preferred shares	725	—	149	—	(101)
Financial liabilities					
Mortgage payable	3,815	29	29	(29)	(29)
Total increase (decrease)		$ 6	$ 155	$ (6)	$ (107)

Credit and Operational Risks

The Company's credit risk relates to the potential of financial loss resulting from the failure of a borrower or counterparty to fully honour its financial or contractual obligations, such as to repay principal and/or interest on a syndicated mortgage loan. Fluctuations in real property values may increase the risk of default and may also reduce the net realizable value of the collateral real property to the Company. Credit losses occur when the counterparty fails to meet its obligations to the Company and the value realized on sale of the underlying security deteriorates below the carrying amount of the exposure. Credit risk is mitigated through credit enhancement, which is comprised of excess spread and obtaining sufficient real property collateral, as well as monitoring the level of concentration of credit risk from individual borrowers. Furthermore, the Company leverages the credit risk management objectives, policies and procedures of the mortgage syndicator to help mitigate the credit risk. These policies and procedures govern credit administration and arrears management.

Until the closing of the last of its housing inventory in the fourth quarter of 2013, the Company's operational risk related to the potential of losses on housing under construction resulting from any instability in the real estate sector in the Greater Toronto Area and any reduction in the level of activity in the Company's house building joint ventures.

The Company's maximum exposure to credit risk is the fair values of cash and cash equivalents, restricted cash, amounts receivable, short-term investments, investments in syndicated mortgage loans and marketable securities.

Liquidity Risk

Liquidity risk is managed by maintaining cash and cash equivalents in excess of projected needs, which includes the funding of a commitment under one of the Company's syndicated mortgage loan investments, as indicated in note 12(a). The Company expects to be able to repay or, if required, obtain an extension on the mortgage loan payable on the investment property, if required, on demand.

The following table summarizes the contractual amounts and maturity periods of the Company's financial liabilities as at September 30, 2013 on an undiscounted basis:

Contractual obligations are due as follows:	Total	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loan payable (1)	$ 5,088	$ 387	$ 745	$ 705	$ 3,251
Accounts payable and accrued liabilities	1,090	1,020	70	—	—
Further advances under a syndicated mortgage loan (2)	702	702	—	—	—
Liabilities and other contractual obligations	$ 6,880	$ 2,109	$ 815	$ 705	$ 3,251

(1) A 4% interest rate has been used for the remaining term to maturity.

(2) Based on management's estimate of the timing of borrowers requesting additional funding as per the terms of the original lending agreement. Any such additional funding will form part of the Company's investment in syndicated mortgage loans.

Capital Risk Management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by obtaining an appropriate amount of debt, commensurate with the level of risk, to reduce the after-tax cost of capital.

The Company's capital consists of a mortgage loan payable on its investment property and shareholders' equity and, other than the capital requirement with respect to the mortgage loan, to maintain a long-term debt to tangible equity ratio of 3:1, which condition has been met as at September 30, 2013, it is not subject to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase shares, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

18. FINANCIAL GUARANTEES

At September 30, 2013, the Company has available letters of credit totaling $185 (2012 - $251) of which $185 (2012 - $251) has been utilized in support of its obligation to complete servicing requirements in connection with various house building projects.

The Company is contingently liable for its co-investors' share of the obligations in joint venture and co-tenancy developments. At September 30, 2013, the Company's co-investors' share of obligations of such entities comprises liabilities of $915 (2012 - $930) and letters of credit of $440 (2012 - $730) in support of obligations to complete servicing requirements in connection with various completed house building projects. In each case, assets of the joint ventures and co-tenancy developments, consisting primarily of cash and cash equivalents, are available to satisfy such obligations.

19. JOINT VENTURES AND CO-TENANCIES

The Company's aggregate proportionate share of joint venture and co-tenancy operations is reflected in these consolidated financial statements as shown below. This reflects ownership percentages ranging from 10% to 50%.

	2013	2012
Assets	$ 13,393	$ 14,853
Liabilities	4,369	4,655
	$ 9,024	$ 10,198
Revenue	$ 3,187	$ 7,142
Expenses	1,995	6,272
Earnings	$ 1,192	$ 870
Cash used in		
Operating activities	$ (1,044)	$ (1,027)
Investing activities	(49)	(1,724)
Financing activities	(237)	(563)

20. CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Non-cash items in operating activities are as follows:

	2013	2012
Deferred income taxes	$ (888)	$ 207
Amortization of leasing costs	11	10
Amortization of deferred financing costs	2	2
Amortization of tenant inducements	21	12
Accrued interest receivable	894	140
Reversal of loss provision on syndicated mortgage loans	—	(690)
Straight-line rent receivable	(75)	(110)
Fair value loss (gain) on investment property	(798)	103
	$ (833)	$ (326)

(b) Changes in non-cash balances in operating activities are as follows:

	2013	2012
Amounts receivable	$ (81)	$ 6,770
Accounts payable and accrued liabilities	88	(55)
Deposits on sales	—	(64)
Income tax recoverable	8,485	(8,713)
Other	86	60
	$ 8,578	$ (2,002)

(c) Supplementary information consists of the following:

	2013	2012
Interest paid	$ 172	$ 246
Income taxes paid	$ 627	$ 2,567

21. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party relationships:

- certain shareholders, and certain shareholders who are officers and directors or parties related to them, are also participants in all of the house building joint ventures;
- the Company is managed by two shareholders who are also officers and directors under a management agreement;
- a company controlled by a shareholder who is also an officer and a director provides certain construction contracting services to the Company;
- a shareholder who is also a director is associated with a law firm that provides legal services to the Company and its joint ventures;
- a shareholder who is also an officer and director who serves as a director of a Toronto Stock Exchange listed mortgage loan investment corporation. This corporation is a co-investor with the Company in the syndicated mortgage loans described in note 12(a) to the consolidated financial statements. Two shareholders who are also officers and directors participate as investors in some of the syndicated mortgage loans in which the Company has invested;
- a shareholder who is also an officer and director partly owns a company that has made loans to a house building joint venture in which the Company is a participant;
- three companies, one owned by one co-tenant and the other two owned by another co-tenant of the Company's Vaughan, Ontario investment property, lease space in that property; and
- a company owned by a co-tenant of the Company's Vaughan, Ontario investment property acts as the manager of that property and is paid management fees.

Related party transactions are recorded at the amount of consideration agreed to by the parties.

Transactions with related parties during the year were as follows:

	2013	2012
Management fee expense	$ 300	$ 300
Rental operating expenses	25	20
Legal services	3	3
Rental income	159	164
Construction contracting services	—	1
Interest paid or payable on loans payable	—	36

The consolidated balance sheets include the following balances with related parties:

	2013	2012
Accounts payable and accrued liabilities	$ 300	$ 300

Key Management Compensation

Key management includes the Chief Executive Officer, the Chief Financial Officer and the Vice-President and they have been compensated as follows:

	2013	2012
Salaries and employee benefits	$ 171	$ 171
Management fees	300	300
Directors' fees	54	56
Total	$ 525	$ 527

22. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

Expenses incurred by nature are as follows:

	2013	2012
Salaries, employee benefits and directors' fees	$ 311	$ 310
Management fees	300	300
Professional fees	277	145
Other	150	145
	$ 1,038	$ 900

23. CONTINGENCIES AND COMMITMENTS

As security for the Company's letter of credit facilities of $185 (2012 - $251), the bank holds a general security agreement, a registered general assignment of book debts and a specific assignment of certain amounts due under agreements of purchase and sale.

The Company, from time to time, is subject to legal proceedings being brought against it and its subsidiaries. Management does not believe these proceedings in aggregate will have a material adverse effect on the Company's consolidated financial position or financial performance.

The Company has commitments to make additional advances in connection with its syndicated mortgage loan investments as explained in note 12(a).

CORPORATE DIRECTORY

DIRECTORS

Rudolph Bratty**
President
Ruland Reality Limited

John H. Craig
Solicitor and Partner
Cassels Brock & Blackwell LLP
Barristers and Solicitors

John H. Daniels*
President
The Daniels Group Inc.

Richard Gambin*
President
Ricgam Investments Ltd.

Stanley Goldfarb
President
Logpin Investments Limited

Marc Muzzo
Director
Marel Contractors

* Audit Committee
** Chairman of the Board
and the Audit Committee

OFFICERS

Stanley Goldfarb
President, Chief Executive Officer
& Treasurer

Marc Muzzo
Vice-President

John H. Craig
Secretary

Arnold J. Resnick
Chief Financial Officer

AUDITOR

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Investor
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SOLICITORS

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: CXA.B

ANNUAL MEETING

Consolidated HCI Holdings Corporation's Annual Meeting will be held on Thursday, March 27, 2014
at 11:00 A.M. in the Shepard Room, Novotel Hotel
3 Park Home Avenue, Toronto, Ontario

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