CONSOLIDATED HCI HOLDINGS CORPORATION

SECOND QUARTER REPORT

2 For The Six Months Ended
March 31, 2011

Consolidated HCI Holdings Corporation

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited consolidated interim financial statements of Consolidated HCI Holdings Corporation for the six months ended March 31, 2011 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by The Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

CONSOLIDATED HCI HOLDINGS CORPORATION

CONSOLIDATED INTERIM BALANCE SHEETS

(unaudited, in thousands of dollars)

	March 31 2011	September 30 2010
ASSETS		
Income-producing properties (note 4)	**$ 7,174**	$ 8,210
Land and housing inventory (note 5)	**6,699**	10,051
Cash (note 6)	**9,793**	7,519
Amounts receivable (note 7)	**7,624**	7,459
Investment in syndicated mortgage loans (note 8(a))	**12,383**	17,126
Marketable securities (note 8(b))	**13,858**	20,451
Deposits on land purchases	**–**	30
Income taxes recoverable	**904**	497
Deferred leasing costs	**16**	20
Other	**273**	143
	$ 58,724	$ 71,506
LIABILITIES		
Bank advances (note 9)	**$ –**	$ 71
Loans payable (note 10)	**4,981**	6,003
Accounts payable and accrued liabilities	**1,240**	1,390
Deposits on sales	**282**	350
Future income taxes and other tax liabilities (note 11)	**3,771**	3,975
	10,274	11,789
SHAREHOLDERS' EQUITY		
Capital stock (note 12)	**35,890**	35,890
Retained earnings	**11,968**	23,432
Accumulated other comprehensive income (note 13)	**592**	395
	48,450	59,717
	$ 58,724	$ 71,506

See accompanying notes.

CONSOLIDATED HCI HOLDINGS CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF RETAINED EARNINGS

(unaudited, in thousands of dollars)

	Six months ended **March 31 2011**	Six months ended March 31 2010
Retained earnings, beginning of the period	**$ 23,432**	$ 39,795
Net earnings for the period	**3,968**	1,355
Dividends (note 20)	**(15,432)**	(20,576)
Retained earnings, end of the period	**$ 11,968**	$ 20,574

See accompanying notes.

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of dollars)

	Six months ended **March 31 2011**	Six months ended March 31 2010
Net earnings for the period	**$ 3,968**	$ 1,355
Other comprehensive income, net of income tax		
Unrealized gains arising during the period on available-for-sale financial assets	**197**	220
Comprehensive income	**$ 4,165**	$ 1,575

See accompanying notes.

CONSOLIDATED HCI HOLDINGS CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

(unaudited, in thousands of dollars, except per share amounts)

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
REVENUE				
Real estate sales				
Housing	**$ 3,451**	$ 3,686	**$ 7,055**	$ 8,122
Land	**–**	–	**–**	430
	3,451	3,686	**7,055**	8,552
Rental	**123**	174	**242**	323
Interest and other income	**434**	647	**1,171**	1,519
	4,008	4,507	**8,468**	10,394
EXPENSES				
Real estate cost of sales				
Housing	**3,372**	3,360	**6,406**	7,462
Land	**–**	–	**–**	134
	3,372	3,360	**6,406**	7,596
Rental operating expenses	**37**	30	**82**	78
General and administrative	**192**	281	**432**	530
Unrealized loss on syndicated mortgage loans (note 8(a))	**–**	–	**–**	360
Interest	**56**	49	**113**	100
Depreciation of income-producing properties	**33**	31	**66**	66
Amortization of deferred leasing costs	**2**	2	**4**	4
	3,692	3,753	**7,103**	8,734
Earnings before income taxes	**316**	754	**1,365**	1,660
Provision for income taxes (note 11)	**5**	309	**365**	406
Net earnings for the period from continuing operations	**311**	445	**1,000**	1,254
Net earnings for the period from discontinued operations (note 14)	**2,914**	51	**2,968**	101
Net earnings for the period	**$ 3,225**	$ 496	**$ 3,968**	$ 1,355
Basic and diluted earnings per share				
From continuing operations	**$ 0.02**	$ 0.02	**$ 0.05**	$ 0.07
From discontinued operations	**0.14**	0.00	**0.14**	0.00
	$ 0.16	$ 0.02	**$ 0.19**	$ 0.07
Weighted average number of shares outstanding	**20,575,866**	20,575,866	**20,575,866**	20,575,866

See accompanying notes.

CONSOLIDATED HCI HOLDINGS CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited, in thousands of dollars)

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Cash provided by (used in)				
OPERATING ACTIVITIES				
Net earnings for the period from continuing operations	**$ 311**	$ 445	**$ 1,000**	$ 1,254
Add (deduct) non-cash items (note 17(a))	**(83)**	438	**122**	32
Costs recovered through sales of real estate	**3,372**	3,360	**6,406**	7,596
Expenditures on housing under development and land	**(1,298)**	(1,636)	**(3,054)**	(5,758)
Mortgage loans on housing under development				
Advances	**–**	–	**158**	–
Repayments	**–**	–	**(733)**	–
Changes in non-cash operating balances (note 17(b))	**(620)**	(1,704)	**(1,110)**	(915)
	1,682	903	**2,789**	2,209
INVESTING ACTIVITIES				
Expenditures on income-producing property	**–**	–	**–**	(148)
Investment in syndicated mortgage loans				
Purchases	**(271)**	(27)	**(2,389)**	(398)
Maturities	**2,808**	4,202	**7,090**	7,230
Marketable securities				
Purchases	**(11,200)**	–	**(31,700)**	–
Sales or maturities	**20,500**	–	**38,500**	–
Restricted cash	**8**	197	**-**	192
	11,845	4,372	**11,501**	6,876
FINANCING ACTIVITIES				
Bank advances – net	**(601)**	–	**(71)**	–
Repayment of mortgage loan on income-producing property	**(62)**	(58)	**(121)**	(80)
Repayment of loans from related parties	**(330)**	–	**(330)**	–
Dividend paid	**(15,432)**	(20,576)	**(15,432)**	(20,576)
	(16,425)	(20,634)	**(15,954)**	(20,656)
Decrease in cash and cash equivalents during the period from continuing operations	**(2,898)**	(15,359)	**(1,664)**	(11,571)
Discontinued operations				
Operating activities	**(665)**	53	**(611)**	104
Investing activities	**4,549**	–	**4,549**	–
Increase in cash and cash equivalents during the period from discontinued operations	**3,884**	53	**3,938**	104
Increase (decrease) in cash and cash equivalents during the period	**986**	(15,306)	**2,274**	(11,467)
Cash and cash equivalents, beginning of the period (note 6)	**8,463**	37,843	**7,175**	34,004
Cash and cash equivalents, end of the period (note 6)	**$ 9,449**	$ 22,537	**$ 9,449**	$ 22,537

Supplementary Information (note 17(c))

See accompanying notes.

Consolidated HCI Holdings Corporation
Notes to Consolidated Interim Financial Statements
March 31, 2011
(unaudited, in thousands of dollars, except share and per share amounts)

1. Basis of Presentation

These unaudited consolidated interim financial statements are prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements. The disclosures contained in these unaudited consolidated interim financial statements do not include all disclosure requirements of Canadian generally accepted accounting principles for annual financial statements. These unaudited consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended September 30, 2010.

These unaudited consolidated interim financial statements are based on accounting policies and procedures consistent with those used and described in the consolidated annual financial statements for the year ended September 30, 2010.

2. Variability of Results

The nature of house building operations does not allow for a consistent year-to-year or period-to-period volume of sales. Revenue is generated by specific projects as the marketplace dictates and buyers become available. As such, the Company's results for the six months ended March 31, 2011 are not indicative of the results that may be expected for the full year.

3. Segmented Information

The Company operates in southern Ontario, in the Greater Toronto Area and surrounding communities and has three reportable segments: the operation of income-producing properties, 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:

Three months ended March 31

	Revenue		Earnings	
	2011	2010	**2011**	2010
Income-producing properties	**$ 123**	$ 174	**$ (5)**	$ 62
Residential construction	**3,460**	3,696	**88**	336
Syndicated mortgage loans	**212**	501	**212**	501
Unallocated amounts:				
Interest income	**213**	136	**213**	136
	$ 4,008	$ 4,507		
General and administrative expenses			**(192)**	(281)
Income taxes			**(5)**	(309)
Net earnings for the period from continuing operations			**311**	445
Net earnings for the period from discontinued operations, net of income taxes			**2,914**	51
Net earnings for the period			**$ 3,225**	$ 496

Six months ended March 31

	Revenue		Earnings	
	2011	2010	**2011**	2010
Income-producing properties	**$ 242**	$ 323	**$ (23)**	$ 75
Residential construction	**7,072**	8,173	**666**	711
Syndicated mortgage loans	**731**	1,165	**731**	805
Unallocated amounts:				
Interest income	**423**	303	**423**	303
Land sales	**–**	430	**–**	296
	$ 8,468	$ 10,394		
General and administrative expenses			**(432)**	(530)
Income taxes			**(365)**	(406)
Net earnings for the period from continuing operations			**1,000**	1,254
Net earnings for the period from discontinued operations, net of income taxes			**2,968**	101
Net earnings for the period			**$ 3,968**	$ 1,355

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Identifiable Assets

	Income-producing properties	Residential construction	Syndicated mortgage loans	Unallocated corporate assets	Total assets
March 31, 2011	**$ 7,256**	**$ 12,847**	**$ 12,383**	**$ 26,238**	**$ 58,724**
September 30, 2010	8,465	14,416	17,126	31,499	71,506

Capital expenditures in the income-producing properties segment for the six months ended March 31, 2011 amounted to $nil (2010 - $148).

Earnings of the income-producing properties segment for the six months ended March 31, 2011 are net of depreciation and amortization of $70 (2010 - $70).

4. Income-producing Properties

	March 31 2011	September 30 2010
Land	**$ 2,311**	$ 3,107
Buildings	**5,282**	5,479
	7,593	8,586
Less: Accumulated depreciation	**(419)**	(376)
	$ 7,174	$ 8,210

During the second quarter of 2011, the Company closed the sale of its Mississauga, Ontario income-producing properties (note 14).

5. Land and Housing Inventory

	March 31 2011	September 30 2010
Housing under construction	**$ 6,698**	$ 9,898
Land under development	**1**	153
	$ 6,699	$ 10,051

During the second quarter of 2011, the Company closed the sale of substantially all of its remaining land under development in Mississauga, Ontario (note 14).

6. Cash

		March 31 2011		September 30 2010
Cash and cash equivalents	**$**	**9,449**	$	7,175
Restricted cash		**344**		344
	$	**9,793**	$	7,519

Cash and cash equivalents include unrestricted cash and term deposits of $2,020 (2010 – $2,008) with a maturity of three months or less from the date of acquisition. Restricted cash includes deposits required to secure outstanding guarantees and letters of credit.

Included in cash and cash equivalents is the Company's proportionate share of cash and cash equivalents of the Company's proportionately consolidated entities of $5,092 (September 30, 2010 - $4,550).

7. Amounts Receivable

		March 31 2011		September 30 2010
Receivable under agreement of purchase and sale	**$**	**7,072**	$	7,395
Straight-line rent receivable		**65**		62
Other		**487**		2
	$	**7,624**	$	7,459

The receivable on land sale constitutes the vendor take-back mortgage, including accrued interest receivable of $196 (September 30, 2010 - $419), resulting from the Company's sale of land on October 10, 2007. The mortgage bears interest at 4% for the first two years of its term and 6% for the next two years and is payable as to interest only annually, together with $50 of principal per quarter during the last two years. The mortgage is due on October 10, 2011.

8. Investments in Syndicated Mortgage Loans and Marketable Securities

			March 31 2011		September 30 2010
(a)	Syndicated mortgage loans secured by real property, for remaining terms from 1 to 44 months (September 30, 2010 – 1 to 26 months), bearing interest at a period-end weighted average rate of 9.25% (September 30, 2010 – 9.5%) per annum	**$**	**12,383**	$	17,126

The Company has commitments to make additional advances totaling $382 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: $7,379 in 2011, $1,512 in 2012, $1,383 in 2013 and $2,109 in 2015.

Syndicated mortgage loans to four different borrowers in amounts totaling $3,129, $3,987, $2,109 and $1,383, 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 74% of the syndicated mortgage loans relate to projects in the Greater Toronto Area.

At March 31, 2011, the Company had provisions for loan losses totaling $690, unchanged from September 30, 2010.

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

	1 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	**Total March 31, 2011**
Syndicated mortgage loans	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

	1 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total September 30, 2010
Syndicated mortgage loans	$ 2,426	$ –	$ –	$ 1,860	$ 4,286

During the first quarter ended December 31, 2010, the underlying secured real property of two syndicated mortgage loans past due but not impaired at September 30, 2010 totaling $2,615 was sold for $2,615 (the Company's share). As part of the sale, the Company received principal and accrued interest for the two syndicated mortgage loans totaling $522 and entered into a new syndicated mortgage loan with the purchaser for $2,100. The syndicated mortgage loan bears interest at 5.0% in the first year, 6.0% in the second year and 6.5% in each of the third and fourth years, and matures on November 30, 2014.

An impaired syndicated mortgage loan of $3,064, net of a $690 provision, was outstanding at September 30, 2010 and remains outstanding with the provision unchanged at March 31, 2011. The provision on this syndicated mortgage loan was determined based on management's estimate of the shortfall between the principal and accrued interest balance of the syndicated mortgage loan and the estimated net realizable recovery from the real property securing the loan. The estimated net realizable recovery from the real property securing the loan at March 31, 2011 is $3,064 (September 30, 2010 - $3,002).

(b) Marketable securities consist of the following:

	March 31 2011	September 30 2010
Canadian chartered bank Term Deposits issued for periods of 90 days or greater, bearing interest at a period-end weighted average rate of 1.3%	**$ 11,213**	$ 18,028
16,000 CIBC non-cumulative Class A preferred shares, Series 27, to yield 5.6%, cost – $400	**404**	396
12,000 TD Bank Class A first preferred shares, Series O, to yield 4.85%, cost – $300	**300**	287
4,384 Faircourt Split Seven Trust, preferred securities, due December 31, 2014, to yield 6.25%, cost – $44	**45**	44
52,840.03 B/1 shares York Select Unit Trust (cost – US$1,000; fair value – US$1,954; September 30, 2010 – fair value – US$1,645)	**1,896**	1,696
	$ 13,858	$ 20,451

9. Bank Advances

Bank advances at September 30, 2010 consisted of the Company's share of joint venture demand operating loans bearing interest at prime plus 1.0%, secured by the joint venture housing projects. These loans were repaid during the second quarter of 2011.

10. Loans Payable

The loans are as follows:

	March 31 2011	September 30 2010
Secured by housing under development	**$ 158**	$ 733
Secured by an income-producing property, net of deferred financing fees of $28 (September 30, 2010 – $32)	**4,403**	4,520
Loans from related parties	**420**	750
Total loans payable	**$ 4,981**	$ 6,003

Principal repayments on loans payable are due as follows:

Years ending September 30,	2011	$ 538
	2012	237
	2013	395
	2014	237
	2015	237
	Thereafter	3,365
		5,009
Deferred financing fees		(28)
		$ 4,981

The mortgage loan secured by housing under development of a Company house building joint venture is due in 2013. Such mortgage loans on housing under development are generally interest free for all or part of their term.

The mortgage loan on the income-producing property constitutes the Company's 50% share of a first mortgage loan on its Vaughan, Ontario property. The loan bears interest at the Business Development Bank of Canada's base rate for commercial and industrial loans and matures in 2029. At March 31, 2011 the base rate was 5.0%. The Company has provided the lender with a guarantee of 50% of amounts due under the loan. A condition of the mortgage loan is that the co-tenancy maintain a long-term debt to tangible equity ratio of 3:1. As at March 31, 2011, with a ratio at that date of 3.1:1, this condition has not been met. The lender may, at its option, demand immediate payment of the loan and enforce any security under the loan agreement. The lender has neither requested that the Company remedy this breach of covenant nor demanded repayment of the loan.

A mortgage loan payable in the amount of $nil (September 30, 2010 - $733), secured by housing under development arising from land purchased in a house building joint venture, was owing to a company partly owned by certain shareholders of the Company.

Loans from related parties comprise loans payable to companies partly owned by a shareholder and officer of the Company. The loans are unsecured, bear interest at prime plus 1% and are due on demand.

11. Income Taxes

(a) Significant components of the income tax provision (recovery) for the six months ended March 31 are as follows:

	Six months ended March 31 2011	March 31 2010
Current	$ **594**	$ 973
Future	**(229)**	(567)
	365	406
Income tax provision on other comprehensive income included in future income taxes	**25**	2
Income tax provision on other comprehensive income included in current income taxes	**–**	49
	$ **390**	$ 457

(b) The income tax provision 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:

	Six months ended March 31 2011	March 31 2010
Expected income tax at 28.75% (2009 – 31.5%)	$ **392**	$ 523
Other	**(27)**	(117)
Income tax provision in Consolidated Interim Statements of Earnings	**365**	406
Income tax provision in Consolidated Interim Statements of Comprehensive Income	**25**	51
	$ **390**	$ 457

(c) Future income taxes and other tax liabilities relate to:

	March 31 2011	September 30 2010
Temporary differences:		
Capital cost allowance in excess of accounting amortization booked	$ **264**	$ 301
Costs capitalized for accounting, deducted for income tax	**79**	247
Mortgage reserves	**1,561**	1,592
Reserves not currently deductible	**(81)**	(88)
Other comprehensive income	**99**	74
	1,922	2,126
Other reserves and provisions	**1,849**	1,849
	$ **3,771**	$ 3,975

12. Capital Stock

Authorized capital stock consists of an unlimited number of Class B voting shares without par value. Issued and outstanding as at March 31, 2011 are 20,575,866 shares, unchanged from October 1, 2009.

13. Accumulated Other Comprehensive Income

Changes in the fair value of marketable securities designated as available-for-sale constitute the sole item in Accumulated Other Comprehensive Income. The changes that occurred during the period were as follows:

	Six months ended March 31 2011	Year ended September 30 2010
Opening balance	**$ 395**	$ 140
Change in fair value during the period, net of income tax provision of $25 (September 30, 2010 – $24)	**197**	255
Closing balance	**$ 592**	$ 395

14. Discontinued Operations and Assets Held for Sale

On February 2, 2011, the Company completed the sale of its 25% co-tenancy interest in land subject to a long-term ground lease and its 25% co-tenancy interest in approximately 2.5 acres of adjacent vacant serviced land in Mississauga to an arm's length purchaser for the purchase price of $4,127 and the sale of its 12.55% co-tenancy interest in a leased building of 8,103 square feet, also located in Mississauga, to a related party co-tenant in the property for the purchase price of $439. The purchase price received by the Company for both transactions was paid in cash and totaled $4,549 after closing adjustments. Accordingly, the Company's results of operations related to the assets sold have been segregated and presented separately as discontinued operations in the accompanying unaudited consolidated interim financial statements. In the first quarter ended December 31, 2010 unaudited consolidated interim financial statements the assets sold totaling $1,122 were reported as being held for sale and previous to that quarter had been reported as belonging to the income-producing properties segment of the Company's operations.

A summary of net earnings from discontinued operations is as follows:

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Rental revenue	**$ 27**	$ 79	**$ 106**	$ 157
Rental operating expenses	**2**	4	**5**	7
Depreciation	**–**	2	**–**	3
	2	6	**5**	10
Earnings before gain on disposal of income-producing properties and income taxes	**25**	73	**101**	147
Gain on disposal of income-producing properties	**3,427**	–	**3,427**	–
	3,452	73	**3,528**	147
Provision for income taxes	**538**	22	**560**	46
Net earnings for the period from discontinued operations	**$ 2,914**	$ 51	**$ 2,968**	$ 101

15. Financial Instruments

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy which prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

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

March 31, 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 9,793**	**$ –**	**$ –**	**$ 9,793**
Marketable securities	**13,858**	**–**	**–**	**13,858**
	$ 23,651	**$ –**	**$ –**	**$ 23,651**
Bank advances	**$ –**	**$ –**	**$ –**	**$ –**

September 30, 2010	Level 1	Level 2	Level 3	Total
Cash	$ 7,519	$ –	$ –	$ 7,519
Marketable securities	20,451	–	–	20,451
	$ 27,970	$ –	$ –	$ 27,970
Bank advances	$ 71	$ –	$ –	$ 71

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 date.

The fair values of cash and cash equivalents, restricted cash, investments in term deposits, deposits on land purchases, accounts payable and accrued liabilities, and deposits on sales 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 fair value of the bank advances approximates their carrying value because they bear interest at floating rates.

The fair value of the amounts receivable of $6,882 (September 30, 2010 - $7,062) was estimated by discounting the remaining contractual repayments at current market rates for similar instruments.

The fair value of loans payable of $4,981 (September 30, 2010 - $6,003) approximates their carrying value because, for the most part, they bear interest at floating rates.

Market Risk – Interest Rate Risk

The Company is subject to interest rate fluctuations on its syndicated mortgage loans, which 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 project specific house building joint ventures' prime based bank debt and a mortgage loan payable on an income-producing property.

At March 31, 2011, if interest rates had been 100 basis points lower or higher, with all other variables held constant, after-tax net earnings and equity for the six-month period ended March 31, 2011 would have been affected as follows:

	Carrying Value	Interest Rate Risk			
		-1%		+1%	
Increase (decrease)		Net Earnings	Equity	Net Earnings	Equity
Financial assets					
Cash	$ 9,793	$ (35)	$ (35)	$ 35	$ 35
Term deposits	11,213	(40)	(40)	40	40
Syndicated mortgage loans	12,383	–	–	–	–
Investment in preferred shares	749	–	151	–	(102)
Financial liabilities					
Loans payable	420	2	2	(2)	(2)
Mortgage loan on income-producing property	4,403	17	17	(17)	(17)
Total increase (decrease)		$ (56)	$ 95	$ 56	$ (46)

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 or amount receivable. 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 is the carrying values of cash and cash equivalents, amounts receivable, mortgage receivable, investments in syndicated mortgage loans, marketable securities and deposits on land purchases.

Liquidity Risk

Liquidity risk is managed by maintaining cash and cash equivalents in excess of projected needs, which includes the funding of commitments under certain of the Company's syndicated mortgage loan investments, as indicated in note 8(a).

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

Contractual obligations are due as follows:	**Total**	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loans payable	**$ 6,512**	$ 454	$ 872	$ 824	$ 4,362
Accounts payable and accrued liabilities	**1,240**	1,240	–	–	–
Total liabilities	**7,752**	1,694	872	824	4,362
Further advances under syndicated mortgage loans*	**382**	382	–	–	–
Liabilities and other contractual obligations	**$ 8,134**	$ 2,076	$ 872	$ 824	$ 4,362

* 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 entity'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 loans payable and shareholders' equity. Other than the capital requirement with respect to a mortgage loan on one of if its income-producing properties as discussed in note 10, 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.

16. Financial Guarantees

At March 31, 2011, the Company has available letters of credit totaling $344, which 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 venture and co-tenancy developments. At March 31, 2011, the Company's associates' share of obligations of such entities comprises liabilities of $12,258 and letters of credit of $1,089 in support of obligations to complete servicing requirements in connection with various house building projects. In each case, assets of the joint venture and co-tenancy developments, consisting primarily of cash and cash equivalents, housing under development and an income-producing property, are available to satisfy such obligations.

17. Consolidated Statement of Cash Flows

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

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Future income tax expense (recovery)	**$ (43)**	$ 116	**$ (229)**	$ (567)
Depreciation of income-producing properties	**33**	31	**66**	66
Amortization of deferred leasing costs	**2**	2	**4**	4
Amortization of deferred financing costs	**3**	(1)	**4**	1
Accrued interest receivable	**(77)**	304	**280**	209
Unrealized loss on syndicated mortgage loans	**–**	–	**–**	360
Straight-line rent receivable	**(1)**	(14)	**(3)**	(41)
	$ (83)	$ 438	**$ 122**	$ 32

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

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Amounts receivable	**$ (436)**	$ (353)	**$ (385)**	$ 198
Deposits on land purchases	**–**	–	**30**	492
Accounts payable and accrued liabilities	**2**	(125)	**(150)**	(345)
Deposits on sales	**(3)**	42	**(68)**	(25)
Income taxes recoverable	**(183)**	(614)	**(407)**	(637)
Other	**–**	(654)	**(130)**	(598)
	$ (620)	$ (1,704)	**$ 1,110**	$ (915)

(c) Supplementary information consists of the following:

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Interest paid	**$ 76**	$ 74	**$ 134**	$ 127
Income taxes paid	**$ 769**	$ 828	**$ 1,561**	$ 1,656
Changes in fair value of marketable securities reported in other comprehensive income	**$ 84**	$ 15	**$ 222**	$ 173

18. Contingencies and Commitments

The Company has commitments to make additional advances in connection with its syndicated mortgage loan investments as explained in note 8(a).

19. Dividend Paid

On February 1, 2011, 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 21, 2011. The dividend totaling $15,432 was paid on March 4, 2011.

20. Comparative Figures

Certain 2010 comparative figures have been reclassified to conform with the 2011 unaudited consolidated interim financial statement presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of May 13, 2011

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Consolidated HCI Holdings Corporation ("CHCI" or the "Company") for the three and six-month periods ended March 31, 2011 and 2010, as well as updating CHCI's most recently issued MD&A, dated February 11, 2011. This MD&A should be read in conjunction with the unaudited consolidated interim financial statements of the Company, including the notes thereto, for the three and six months ended March 31, 2011 and should also be read in conjunction with the audited consolidated financial statements and the MD&A for the fiscal year ended September 30, 2010, as set out in the Company's 2010 Annual Report. Additional information relating to the Company, including the Certification of Interim Filings for the quarter ended March 31, 2011 signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is also available on the SEDAR website at www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and has in place the appropriate information systems, procedures and controls to ensure 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 accompanying unaudited consolidated interim financial statements.

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 "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.

OVERVIEW

CHCI is an Ontario-based, publicly traded real estate company trading on the Toronto Stock Exchange under the symbol CXA.B. The Company's activities in the real estate industry are conducted with others at varying participation rates in co-tenancies and joint ventures. The unaudited consolidated interim financial statements include these ventures on a proportionate consolidation basis. The activities of the Company include the redevelopment and leasing of an existing industrial property in Vaughan, Ontario for industrial and commercial uses and, until February 2, 2011, the ownership and leasing of land in Mississauga, Ontario on which a third party had constructed a commercial building and the ownership and leasing of another commercial building in Mississauga, Ontario, leased to another party. Details of the sale of these Mississauga real estate assets is outlined in note 14 to the accompanying unaudited consolidated interim financial statements for the three and six months ended March 31, 2011 and 2010. The Company also conducts activities through various joint ventures in the building and selling of new homes on land purchased from others, including related parties. The Company also invests in syndicated mortgage loans, which are secured by real property developments of other land developers and builders.

REVIEW OF FINANCIAL RESULTS

Results of Operations

Summary of operating results

(Unaudited, in thousands of dollars, except per share amounts)

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Revenue	**$ 4,008**	$ 4,507	**$ 8,468**	$ 10,394
Earnings from continuing operations, before income taxes	**$ 316**	$ 754	**$ 1,365**	$ 1,660
Provision for income taxes	**5**	309	**365**	406
Earnings for the period from continuing operations	**311**	445	**1,000**	1,254
Earnings for the period from discontinued operations, net of income taxes	**2,914**	51	**2,968**	101
Net earnings for the period	**$ 3,225**	$ 496	**$ 3,968**	$ 1,355
Basic and diluted earnings per share				
From continuing operations	**$ 0.02**	$ 0.02	**$ 0.05**	$ 0.07
From discontinued operations	**0.14**	0.00	**0.14**	0.00
Total basic and diluted earnings per share	**$ 0.16**	$ 0.02	**$ 0.19**	$ 0.07

Revenue from continuing operations in the first six months of 2011 decreased by $1.93 million compared to the revenue recorded for the same period in 2010. This decrease is comprised of a decrease in housing sales of $1.07 million, a decrease in land sales of $0.43 million, a decrease in rental revenue of $0.08 million and a decrease in interest and other income of $0.35 million. As mentioned in previous years, the nature of real estate development 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.

Land development operations

(Unaudited, in thousands of dollars)

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Revenue from land sales	**$ –**	$ –	**$ –**	$ 430
Land cost of sales	**–**	–	**–**	134
Gross profit from land sales	**$ –**	$ –	**$ –**	$ 296

The Company had no land sales from continuing operations during the first half of 2011. The Company's second quarter 2011 gain on the sale of its 25% interest in a 2.5 acre parcel of serviced vacant land, reported as an asset held for sale at December 31, 2010, has been included in net earnings from discontinued operations as outlined in note 14 to the accompanying unaudited consolidated interim financial statements for the three and six months ended March 31, 2011. During the comparable period in the prior year, the Company sold two lots remaining from a residential subdivision completed in a previous year, which were not able to be sold previously due to restrictions imposed by the municipality, which were lifted during the fiscal year ended September 30, 2010.

Housebuilding operations

(Unaudited, in thousands of dollars)

	Three months ended March 31 2011	Three months ended March 31 2010	Six months ended March 31 2011	Six months ended March 31 2010
Revenue from housing sales	**$ 3,451**	$ 3,686	**$ 7,055**	$ 8,122
Housing cost of sales	**3,372**	3,360	**6,406**	7,462
Gross profit from housing sales	**$ 79**	$ 326	**$ 649**	$ 660

The Company's share of joint venture revenue from housing sales decreased in the first half of 2011 by $1.1 million compared to the corresponding period in the previous year. This revenue decrease is primarily the result of there being fewer units sold. Other than the purchase of 5 lots (share – 1.5 lots) in the first quarter of 2011 in an existing project that the vendor was unable to deliver until 2011, the Company has acquired no new lots since the first quarter of 2010 as it builds out and sells its existing inventory.

The gross margin percentage on housing sales is a function of the project 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 in 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 than budgeted carrying costs. The overall gross margin on housing sales for the first quarter of 2011 was 15.8% compared to 7.5% for the corresponding period in 2010 primarily the result of more higher margin product being sold. The second quarter of 2011 was adversely impacted by results in one of the Company's house building projects which accounted for 69% of housing revenue in the second quarter resulting in an overall gross margin on housing sales for the first six months of 2011 of 9.2% compared to 8.1% for the corresponding period in 2010. Houses closed in that quarter had been sold to home buyers in 2008 at prices set in that year but as a result of delays in construction resulting from a fire on the site and delays in condominium registration, construction and carrying costs incurred were greater than budgeted when setting the selling prices, resulting in a loss on these second quarter sales.

Rental operations

(Unaudited, in thousands of dollars)

	Three months ended March 31 2011	Three months ended March 31 2010	Six months ended March 31 2011	Six months ended March 31 2010
Continuing operations				
Rental revenues	**$ 123**	$ 174	**$ 242**	$ 323
Rental operating expenses	**37**	30	**82**	78
Mortgage interest	**56**	49	**113**	100
	93	79	**195**	178
Earnings from continuing operations	**30**	95	**47**	145
Discontinued operations				
Rental revenues	**27**	79	**106**	157
Rental operating expenses	**2**	4	**5**	7
Earnings from discontinued operations	**25**	75	**101**	150
Net operating income*	**$ 55**	$ 170	**$ 148**	$ 295

* Net operating income is an important measure used by management to evaluate the operating performance of the income-producing properties. However, it is not defined by Canadian generally accepted accounting principles ("GAAP"), does not have a standard meaning and may not be comparable with other companies.

The decrease in net earnings from continuing rental operations for the three months ended December 31, 2010 compared to the corresponding period in the previous year results primarily from a decrease in rental revenue of the Company's last remaining continuing operations income-producing property. The tenant from which the Company purchased the building in 2005 vacated at the end of its lease in the third quarter of 2010 reducing the building's leased space from 73%, the level of occupancy since October 1, 2009, to 49%, which level remained through to March 31, 2011.

The Company has entered into a lease with a company owned by a related party for the use 42,000 square feet of roof surface on which the lessee has installed an array of solar panels to provide electricity to the Ontario Power Authority ("OPA") grid. The Company began to collect rent under the lease as of January 19, 2011, the date designated as the Term Commencement Date by the OPA. The lease term is for twenty years with three five-year renewal options.

Subsequent to March 31, 2011, the Company leased a further 30,903 square feet of space to a national chain of fitness clubs for a twenty-year term with a ten-year option to renew. The lease is scheduled to commence on the earlier of March 1, 2012 or the completion of the fixturing period and will bring the building to a 65% occupancy level. The Company's share of the cost of landlord's base building work and a cash fixturing allowance to the tenant is expected to total approximately $0.6 million and will be paid from the Company's own resources.

Rental results from discontinued operations relate to the Company's rental properties in Mississauga, sold in the second quarter of 2011 as outlined in note 14 to the accompanying unaudited consolidated interim financial statements for the three and six months ended March 31, 2011.

Interest and other income

Interest and other income decreased by $0.35 million for the six months ended March 31, 2011 compared to the corresponding period in the previous year. This decrease was primarily due to the Company having a substantially 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 the first six months of 2011 compared to the corresponding period in 2010. After December 31, 2008, other than fulfilling funding commitments and participating in renewals or extensions on existing syndicated mortgage loans, the Company ceased investing in syndicated mortgage loans with a view to accumulating cash to pay future dividends, which were ultimately paid on January 13, 2010 and March 4, 2011.

General and administrative expenses

General and administrative expenses, incurred in the first six months of 2011, decreased by $0.1 million compared to those incurred during the corresponding period of 2010, primarily due to the elimination of provincial capital tax effective July 1, 2010 together with an adjustment in 2011 of the estimate for capital tax recorded in 2010 and other expense reductions resulting from the Company's reduced level of business activity.

Income taxes

The income tax provision for the first six months of 2011 of $0.7 million (2010 - $0.8 million) has been computed by applying the average statutory Canadian federal and provincial income tax rate of 28.75% (2010 – 31.5%) to earnings before income taxes.

Management has determined that potential unrecorded future income tax benefits of approximately $11.4 million may be available to the Company under certain circumstances. Due to the uncertainty as to whether these benefits will be realized, such benefits will be recognized in the accounts of the Company only as and when the realization of the benefits is confirmed.

FINANCIAL CONDITION

(Unaudited, in thousands of dollars)

	March 31 2011	September 30 2010
Income-producing properties	**$ 7,174**	$ 8,210
Land under development	**1**	153
Housing under development	**6,698**	9,898
Cash and cash equivalents	**9,449**	7,175
Restricted cash	**344**	344
Amounts receivable	**7,624**	7,459
Investment in syndicated mortgage loans	**12,383**	17,126
Investments in marketable securities	**13,858**	20,451
Deposits on land purchases	**–**	30
Income taxes recoverable	**904**	497
All other assets	**289**	163
Total assets	**$ 58,724**	$ 71,506

	March 31 2011	September 30 2010
Mortgage loans on:		
Income-producing property	**$ 4,403**	$ 4,520
Housing under development	**158**	733
Total long-term financial liabilities	**$ 4,561**	$ 5,253

ASSETS AND LIABILITIES

During the first six months of 2011, the Company realized cash from sales in its house building joint ventures, maturities of syndicated mortgage loans and interest earned on its investments in syndicated mortgage loans and cash and short-term investments. The majority of this cash was used to pay a special dividend on its Class B shares totaling $15.4 million on March 4, 2011, fund the operations of its house building joint ventures and invest in marketable securities and existing syndicated mortgage loans.

The Company's housing under development decreased by $3.2 million during the first six months of 2011, resulting from the cost of houses sold exceeding the expenditures on housing construction, carrying costs and the cost of additional lots purchased in an existing house building project.

A condition of the mortgage loan on the Company's Vaughan, Ontario income-producing property is that the co-tenancy maintain a long-term debt to tangible equity ratio of 3:1. As at March 31, 2011, with a ratio at that date of 3.1:1, this condition has not been met. The lender may, at its option, demand immediate payment of the loan and enforce any security under the loan agreement. The lender has neither requested that the Company remedy this breach of covenant nor demanded repayment of the loan. Should such a request be forthcoming, the Company is in a position to inject additional capital, pay down the mortgage loan or, alternatively, refinance the property.

Mortgage loans on housing under development decreased by $0.6 million during the first six months of 2011 as a result of the repayment of the loan outstanding at September 30, 2010 net of a new mortgage payable on the purchase of the additional lots referred to above.

As outlined in note 14 to the accompanying unaudited consolidated interim financial statements for the three and six months ended March 31, 2011, with the exception of one residential lot held for sale, the Company sold all of its Mississauga, Ontario real estate holdings consisting of its 12.55% share of an 8,103 square foot commercial building, its 25% share of 13.2 acres of land subject to a long-term lease and 2.52 acres of adjacent, serviced commercial land in the second quarter. At March 31, 2011, the Company's remaining real estate holdings consist of its 50% share of an income-producing property in Vaughan, Ontario and the residential lot referred to above.

OUTSTANDING SHARE DATA

Authorized capital stock consists of an unlimited number of Class B voting shares without par value. Issued and outstanding as at March 31, 2011 are 20,575,866 shares, unchanged from October 1, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

(Unaudited, in thousands of dollars)

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Cash provided by (used in):				
Continuing operations				
Operating activities	**$ 1,682**	$ 903	**$ 2,789**	$ 2,209
Investing activities	**11,845**	4,372	**11,501**	6,876
Financing activities	**(16,425)**	(20,634)	**(15,954)**	(20,656)
Decrease in cash and cash equivalents during the period from continuing operations	**(2,898)**	(15,359)	**(1,664)**	(11,571)
Discontinued operations				
Operating activities	**(665)**	53	**(611)**	104
Investing activities	**4,549**	–	**4,549**	–
Increase in cash and cash equivalents during the period from discontinued operations	**3,884**	53	**3,938**	104
Increase (decrease) in cash and cash equivalents during the period	**986**	(15,306)	**2,274**	(11,467)
Cash and cash equivalents, beginning of the period	**8,463**	37,843	**7,175**	34,004
Cash and cash equivalents, end of the period	**$ 9,449**	$ 22,537	**$ 9,449**	$ 22,537

Cash and cash equivalents decreased in the first six months of 2011 by $13.1 million primarily the result of the payment of the special dividend referred to above, the purchase of marketable securities and investment in syndicated mortgage loans, net of proceeds received from the sale of the Company's Mississauga, Ontario real estate assets referred to above and cash generated from house building activities and maturities and partial repayments of syndicated mortgage loans.

The Company continues to use cash flows to fund existing commitments in the syndicated mortgage loan segment of its operations, to invest in money market investments and to invest in its house building segment. The Company's cash and cash equivalents serve to provide the Company with sufficient liquidity to carry on its business activities.

CONTRACTUAL OBLIGATIONS

Disclosure relating to the Company's contractual obligations is contained in note 15 to the accompanying unaudited consolidated interim financial statements for the three and six months ended March 31, 2011.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company continues to be a party to the types of transactions, and maintains balances with related parties as described in the September 30, 2010 MD&A, dated December 14, 2010. Related party transactions are recorded at their exchange amounts, which is the consideration agreed to by the parties and in accordance with standard commercial practices, typical of the real estate industry.

RISK MANAGEMENT

Disclosure relating to the Company's susceptibility to interest rate risk, credit and operational risks and liquidity risk and its capital risk management objectives are outlined in note 15 to the accompanying unaudited consolidated interim financial statements for the three and six months ended March 31, 2011.

At the present time, management is satisfied the Company's receivables will be collected in full and that land and housing inventories are valued at the lower of cost and net realizable value.

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.

ACCOUNTING POLICIES AND ACCOUNTING STANDARDS

The Company's accounting policies, as well as the accounting standards to which it adheres, remain unchanged from those disclosed and discussed in the audited consolidated financial statements and the MD&A for the year ended September 30, 2010.

CONTROLS AND PROCEDURES

At March 31, 2011, 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 Canadian generally accepted accounting principles ("GAAP"). All internal controls over financial reporting are either completed or reviewed by the Chief Financial Officer with involvement from the CEO and Vice-President as deemed necessary. 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 quarterly 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 March 31, 2011 and September 30, 2010 and for the six-month periods ended March 31, 2011 and March 31, 2010 relates to the Company's proportionately consolidated entities, comprising all its investments in its income-producing property continuing operations and residential construction segments:

(Unaudited, in thousands of dollars)	**March 31 2011**	September 30 2010
Assets	**$ 19,385**	$ 21,166
Liabilities	**6,266**	7,330
	$ 13,119	$ 13,836

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Revenue	**$ 3,583**	$ 3,870	**$ 7,314**	$ 8,496
Expenses	**3,500**	3,472	**6,671**	7,710
Earnings	**$ 83**	$ 398	**$ 643**	$ 786

	Three months ended		Six months ended	
	March 31 2011	March 31 2010	**March 31 2011**	March 31 2010
Cash provided by (used in)				
Operating activities	**$ 1,071**	$ 1,801	**$ 690**	$ (31)
Investing activities	**$ 8**	$ 108	**$ –**	$ 45
Financing activities	**$ (570)**	$ 93	**$ (131)**	$ (113)

The certifying officers have determined there were no changes in the Company's ICFR that occurred during the three and six months ended March 31, 2011 that have significantly affected, or are reasonably likely to significantly affect, the Company's ICFR.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Accounting Standards Board confirmed that the use of IFRS will be required for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises. After that date, IFRS will replace GAAP for such enterprises. Accordingly, the Company will first report under IFRS for its fiscal year ended September 30, 2012 with comparative financial information restated to conform with IFRS presentation. While IFRS standards are premised on a conceptual framework similar to Canadian GAAP, there are differences in the areas of recognition, measurement and disclosure that may materially impact the Company's consolidated financial statements. The impact of these differences to the Company's consolidated financial results at the time of transition and on implementation is currently being assessed. Based on existing IFRS, significant differences to Canadian GAAP that may materially impact the Company's financial results include, but are not limited to fair value determination and accounting for investment properties, principles of consolidation, measurement of contingencies, income taxes and impairment of assets. The impact of IFRS to the Company at the transition date, October 1, 2010, will depend on the IFRS standards in effect at the time, accounting elections that have not yet been made and the prevailing business and economic facts and circumstances.

The Company has completed the preliminary phase of its conversion plan between Canadian GAAP and IFRS and has determined there are no significant systems implications or implications impacting the control environment, that is, ICFR and DC&P. The IFRS assessment on reporting results is being overseen by the Company's CFO and will address specific areas of financial reporting and disclosure as the conversion date approaches.

Summarized below are key areas where changes in accounting policies are expected that may impact the Company's consolidated financial statements.

First-time Adoption of IFRS

The Company's adoption of IFRS will require the application of IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that a company apply all IFRS effective at the end of its first IFRS reporting period retrospectively. The following are significant optional exemptions available under IFRS 1 the Company expects to apply in preparing its first financial statements in accordance with IFRS. Other available elections are either not applicable or not material to the Company. Note that these elections are subject to change as further analysis is completed.

- Business Combinations – the Company expects to elect to not restate any business combinations that have occurred prior to October 1, 2010.

- Initial measurement of property, plant and equipment – IFRS 1 provides two alternatives for an entity to initially measure an investment property upon transition to IFRS: measure at fair value, or continue to use the historical cost basis used under Canadian GAAP. The Company can elect to initially measure its investment property at fair value at transition and use that fair value as deemed cost at that date. Management is currently assessing these alternatives.

Investment Properties

Currently, the Company's investment property is carried at cost, net of accumulated depreciation and net of any impairment losses. IFRS provides entities with the choice to account for investment properties using the fair value model or the cost-based model. Under a fair value model, depreciation is not recorded and investment properties are adjusted to fair value at each reporting date with changes in fair value recorded directly in the statement of earnings. If the cost-based model is adopted, the investment property would be carried at cost less accumulated amortization and any impairment charges; however, disclosure of fair value is required. The Company expects to continue accounting for its investment properties using the cost-based model and provide fair value disclosure as required.

Principles of Consolidation

Currently, the Company's consolidated financial statements include its proportionate share of the assets, liabilities, revenues and expenses of joint ventures and co-tenancies. Under IFRS expected to be in place when the Company adopts IFRS, these joint ventures and co-tenancies may be accounted for using the equity method. The Company expects to continue to proportionately consolidate these equity investments.

Impairment of Assets

IFRS uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which is a discounted cash flow analysis). The Company currently uses a two-step approach: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing the asset's carrying value with fair value. The difference in methodology may potentially result in a difference in the asset impairment test results upon transition to IFRS.

Income Taxes

Currently, the Company's future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities. IFRS requires a similar approach to recognizing future income tax assets and liabilities. However, the adoption of IFRS policies could alter the financial reporting bases of assets and liabilities and, consequently, impact the Company's future income tax assets and liabilities.

The following table addresses key elements of the conversion plan and an assessment of the Company's progress:

Key Activity	Milestones	Status/Timelines
IFRS Conversion Scoping Phase	Review of current standards vs. IFRS. Identification of significant differences. Assessment of available resources. Monitoring of changes to Canadian GAAP and IFRS and their impact on the Company.	September 1, 2010 – December 31, 2010 Reported to Audit Committee – February 2011
Decisions on Accounting Policies and IFRS 1	Formal review of differences in each area. Assessment of differences between IFRS and the Company's current practices. Decision on accounting policy choices and IFRS 1 for each assessed area.	February 1, 2011 – April 30, 2011 Reported to Audit Committee – May 2011
Information Technology Evaluation	Identification of IT requirements, both hardware and software, for IFRS conversion.	Determined that there are no significant systems or IT implications. Reported to Audit Committee – February 2011

Key Activity	Milestones	Status/Timelines
Control Environment: Internal Control Over Financial Reporting and Disclosure Controls and Procedures	Review and assessment of impact of accounting policy choices and changes relating to IFRS conversion.	Determined there are no significant control environment implications. Reported to Audit Committee – February 2011
Financial Impact Analysis for Transactional Areas	Analysis of differences between Canadian GAAP and IFRS that was completed will be quantified. Senior management to review and sign off.	May 1, 2011 – June 30, 2011 Report to Audit Committee – August 2011
Financial Statement Preparation	Identification of transactions impacted by IFRS conversion. An assessment of these transactions, appropriate changes and remapping will be completed. The assessment and remapping will form the skeleton of the IFRS compliant financial statements.	July 1, 2011 – August 15, 2011 Report to Audit Committee – August 2011
Business Activities Impact	Identification of impacts on business activities to be completed. Completion of any renegotiations.	Ongoing throughout process Report to Audit Committee – Ongoing

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company does not intend to early adopt any of these sections.

FINANCIAL INSTRUMENTS

The basis for the Company's fair value estimation of its financial instruments is outlined in note 15 to the accompanying unaudited consolidated interim financial statements for the three and six months ended March 31, 2011.

CRITICAL ACCOUNTING ESTIMATES

The nature of critical accounting estimates in areas of capitalized costs and estimated costs to complete, carrying values and income taxes is the same as discussed in the Company's annual MD&A.

OFF-BALANCE SHEET ARRANGEMENTS

Disclosure relating to financial guarantees made by the Company is outlined in note 16 to the accompanying unaudited consolidated interim financial statements for the three and six months ended March 31, 2011.

OUTLOOK

As at March 31, 2011, the Company has completed the purchase of all of the lots for which it had given deposits at September 30, 2009 in its house building operations and management does not expect to acquire additional lots or continue its house building operations beyond the middle of its 2012 fiscal year-end at which time it expects to have completed and sold its three currently active house building projects. The total value of house sales in 2011 is expected to be lower than that of 2010 as the Company will have fewer lots available for sale in 2011 than it delivered to buyers in all of 2010 and the value of 2012 house sales will likely decline over that in 2011 for the same reason. As well, profit margins on house sales could be adversely affected by increased costs won by certain building trades in recently completed contract renewals completed in 2010.

With substantially all of its development land and income-producing properties having been sold as of September 30, 2008 and the sale of the Mississauga, Ontario real estate assets in the second quarter of 2011, the Company's remaining real estate holdings consist of the income-producing properties and land described above under "Financial Condition – Assets and Liabilities." The Company is continuing with its efforts to complete the leasing of its Vaughan, Ontario income-producing property. As described under "Rental operations" above, the Company leased 42,000 square feet of roof surface during the second quarter and 30,903 square feet of vacant space in the building subsequent to March 31, 2011. Management has been receiving expressions of interest to lease additional space in the building and has been working with prospective tenants but, to date, no other new space has been let. Management has not yet determined what development, if any, might take place on the land adjoining this property which was acquired in 2010.

Management continues to closely monitor the Company's investments in syndicated mortgage loans. While no actual losses have been realized on any of the Company's investments, management has recorded a provision for potential loss on one of these syndicated mortgage loans, which it believes to be adequate to deal with current exposures.

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

CORPORATE DIRECTORY

DIRECTORS

Rudolph Bratty*
President
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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

H. Clifford Hatch, Jr.**
President
Cliffco 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

AUDITORS

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TRANSFER AGENT

Computershare Investor
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