MANAGEMENT'S DISCUSSION AND ANALYSIS

As of December 12, 2014

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 management's discussion and analysis ("MD&A") of the financial condition of the Company and its financial performance for the two years ended September 30, 2014 and 2013 are the views of management and should be read in conjunction with the consolidated financial statements including related notes in the 2014 and 2013 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 2013 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. The consolidated financial statements include these co-tenancies on a proportionate consolidation basis. The activities of the Company include the redevelopment of industrial properties in Vaughan, Ontario for industrial and commercial uses to lease to others. The Company has also conducted activities through various co-tenancies 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. The Company does not plan further investment in syndicated mortgage 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, 2014 and 2013.

CONTROLS AND PROCEDURES

At September 30, 2014, 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 internal controls over financial reporting 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 operations. Management of the operations is distinct from that of the Company and, as such, the Company does not have sufficient access to the operations 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 operations and discussion with the operations' management, material errors or omissions in the operations' 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, 2014 and 2013 and for the years then ended relates to the Company's aggregate consolidated proportionate share of its co-tenancy operations, comprising all its investments in its investment properties and residential construction segments:

	September 30	
	2014	2013
Assets	$ 13,073	$ 13,424
Liabilities	4,111	4,369
	$ 8,962	$ 9,055

	Year ended September 30	
	2014	2013
Revenue	$ 876	$ 2,389
Expenses	(440)	(1,995)
Fair value gain (loss) on investment properties	(597)	798
Earnings (loss)	$ (161)	$ 1,192

	Year ended September 30	
	2014	2013
Cash used in		
Operating activities	$ 790	$ (1,044)
Investing activities	(278)	(49)
Financing activities	(236)	(237)

The certifying officers have evaluated the design and operating effectiveness of the Company's DC&P and ICFR for the year ended September 30, 2014 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, 2014 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)

	2014	2013
Total revenue	$ 1,777	$ 3,643
Earnings (loss) before income taxes	$ (143)	$ 1,408
Recovery of (provision for) income taxes	(25)	5,509
Net earnings (loss) for the year	$ (168)	$ 6,917
Basic and diluted earnings (loss) per share	$ (0.01)	$ 0.34

Total revenue decreased in 2014 by $1.9 million compared to the revenue recorded for the same period in 2013, the result of decreases in housing sales of $1.62 million and interest and other income of $0.38 million. These decreases were partially offset by an increase in investment property revenue of $0.13 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)

	2014	2013
Revenue from housing sales	$ —	$ 1,616
Housing cost of sales	36	1,431
Gross profit (loss) from housing sales	$ (36)	$ 185

The Company's share of revenue from housing sales as recorded by its joint ventures for 2014 decreased by $1.6 million from the $1.6 million recorded in 2013. There were no house sales in 2014 as the Company had completed and closed all housing inventory as at September 30, 2013.

Adjustments for cost estimates made in three projects, which had previously sold out, resulted in the Company recording 2014 losses of $0.036 million in its house building segment.

Rental operations

(in thousands of dollars)

	2014	2013
Rental revenues	$ 874	$ 745
Rental operating expenses	244	381
Net operating income*	$ 630	$ 364

* 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 $0.13 million from 2013 to 2014, primarily as a result of the commencement of two new tenancies in 2013, one in the third quarter and one in the fourth quarter.

Property operating expenses decreased in 2014 by $0.14 million over the prior year, primarily as a result of a refund on the successful appeal of a realty tax assessment and vacancy rebates together totaling $0.057 million and a reduction in other period costs of $0.083 million.

In 2014 net operating income was reduced by interest expense and amortization of $0.16 million (2013 – $1.18 million) and a loss in fair value of investment properties of $0.6 million (2013 – gain in fair value of $0.8 million) resulting in a net loss from rental operations of $0.13 million (2013 – net earnings of $0.98 million).

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

General and administrative expenses

General and administrative expenses decreased in 2014 by $0.16 million over those recorded in 2013 as a result of a decrease in professional fees of $0.082 million during 2014 relating to income tax planning matters, a decrease in management fees of $0.025 and the net decrease of all other items of $0.053 million.

As previously disclosed in the Company's Management Information Circular dated February 18, 2014, for the year ended September 30, 2013, 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 the year ended September 30, 2014, the terms of the Management Agreement were amended to provide for the same fee of 3% of pre-tax earnings but with a minimum of $0.25 million. For both years ended September 30, 2014 and 2013, these minimum management fees, calculated in accordance with the agreement, were 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 $1.04 million in 2013 to $0.88 million in 2014. This decrease was primarily due to the Company having greater investments in low interest rate cash and short-term money market instruments and reduced investments in higher interest rate syndicated mortgage loans during 2014 compared to 2013.

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

Until September 30, 2013, the interest expense incurred by the Company to finance its house building operations was capitalized to land and housing under development and expensed through housing cost of sales as housing units were closed. The Company incurred interest expense in its rental operations in 2014 of $0.15 million compared to $0.17 million for 2013. This decrease is a result of reduced interest expense resulting from scheduled principal repayments made on the mortgage loan on one of its Vaughan, Ontario investment properties, together with an interest rate reduction on the mortgage loan from 5% to 4% in the second quarter of 2013.

Income taxes

The 2014 income tax recovery of $0.38 million, computed by applying the average statutory Canadian federal and provincial income tax rate of 26.5% to the loss before income taxes was offset by $0.63 million for other items.

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.

Selected quarterly consolidated financial information (unaudited)

(in thousands of dollars, except per share amounts)

	2014				2013			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Revenue	$ 166	$ 444	$ 402	$ 765	$ 769	$ 1,409	$ 782	$ 683
Net earnings (loss)	$ (642)	$ 88	$ 51	$ 335	$ 61	$ 721	$ 6,061	$ 74
Basic and diluted earnings (loss) per share	$ (0.03)	$ —	$ —	$ 0.02	$ 0.01	$ 0.03	$ 0.30	$ —

The 2013 quarterly revenue amounts reflected above have been adjusted to remove the fair value gains of the Company's investment properties, to conform with the current year's presentation.

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 properties and the reversal of tax provisions no longer considered necessary in the second quarter of 2013.

FINANCIAL CONDITION

(in thousands of dollars)

	2014	2013
Investment property	$ 10,488	$ 10,705
Cash and cash equivalents	1,709	3,082
Restricted cash	98	184
Amounts receivable	1,153	1,321
Short-term investments	39,828	37,417
Marketable securities	3,465	2,766
Investments in syndicated mortgage loans	527	1,309
Income tax recoverable	—	445
Tenant inducements	377	399
All other assets	94	82
Total assets	$ 57,739	$ 57,710
Long-term financial liability		
Mortgage loan on income-producing property	$ 3,580	$ 3,815

ASSETS

Investment properties

Investment properties, comprising the Company's 50%-owned industrial/commercial building and 50%-owned rental building leased as a fast food outlet in Vaughan, Ontario, decreased in 2014 by $0.22 million, the result of capital improvements of $0.36 million, leasing costs capitalized of $0.026 million and a fair value reduction of $0.6 million.

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 properties. Compensation for the two parcels totaled $0.2 million (at the Company's share – $0.1 million) net of a $0.4 million (at the Company's share – $0.2) soil remediation offset for one of the parcels. The Company had 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 launched its appeal during 2014 and, with respect to one of the parcels of 0.303 acres (at the Company's share – 0.15 acres), accepted the Region's valuation and the refund of the soil remediation offset referred to above. The settlement and related refund are subject to the approval of The York Regional Council and the refund will be recorded by the Company on receipt, which is expected to be in the second quarter of 2015. With respect to the other parcel of 0.149 acres (at the Company's share – 0.0745 acres), the appeal remains in process.

During the fourth quarter of 2011, the Company entered into an agreement to lease one of its investment properties 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. During 2013 and 2014, approvals were received allowing the landlord to complete its site work and the tenant its leasehold work. The tenancy commenced with the tenant opening for business on September 12, 2014.

As at September 30, 2012, the Company had achieved a 61% level of occupancy in its industrial/commercial building.

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 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 operation 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 industrial/commercial building at September 30, 2013. There was no change at September 30, 2014.

Housing under construction

Housing under construction comprised land and housing inventory in the Company's 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 $0.78 million during the year as a result of the proceeds received on maturities. 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 properties co-tenancies, includes deposits required to secure outstanding guarantees and letters of credit of $0.1 million (2013 – $0.2 million).

Amounts receivable

Amounts receivable decreased in 2014 by $0.17 million as a result of the receipt of $0.21 million 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, net of an increase in straight-line rent receivable of $0.02 million and $0.02 million of other items. Included in accounts receivable is $0.8 million (2013 – $0.8 million) owing from the house building co-tenancies project manager. These amounts are held pursuant to the project co-tenancy agreements and are meant to provide contingency funds should any warranty or other claims be made with respect to the houses sold. The project manager may, at its discretion, call on co-tenants 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 co-tenancy for distribution to the co-tenants once they are no longer considered necessary to hold. There are no outstanding claims against these amounts at September 30, 2014 and 2013.

LIABILITIES

Loan payable

Loans payable decreased during 2014 by $0.23 million as a result of scheduled principal repayments on the mortgage loan on one of its Vaughan, Ontario investment properties.

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, 2014, this condition has been met.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased in 2014 by $0.25 million due to a decrease in year end expense accruals of $0.22 million primarily for management fees and professional fees related to income tax planning matters and $0.03 million of other items.

OUTSTANDING SHARE DATA

At December 12, 2014, 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, 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

(in thousands of dollars)

	2014	2013
Cash provided by (used in)		
Operating activities	$ 918	$ 15,829
Investing activities	(2,054)	(14,907)
Financing activities	(237)	(237)
Increase (decrease) in cash and cash equivalents	(1,373)	685
Cash and cash equivalents, beginning of the year	3,082	2,397
Cash and cash equivalents, end of the year	$ 1,709	$ 3,082

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.

Cash and cash equivalents decreased in 2014 by $1.37 million. This decrease resulted from $2.5 million investment net of maturities of short-term money market instruments, additions to the Company's investment property of $0.36 million and the repayment of loans payable of $0.2 million. These cash outflows were partially offset by $0.72 million of maturities net of advances in the syndicated mortgage loan segment, the refund of $0.35 million of the previous year's income tax over installments net of 2014 installment payments and $0.62 million of other net cash inflows.

The Company continues to use cash flows to fund commitments to additional funding of existing syndicated mortgage loans, invest in its investment properties segment 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.

Management expects to be able to fund the repayment of the Company's mortgage loan 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, 2014	Note	Receives management fees from the Company	Receives fees for legal services provided to the Company	Receives property management fees to manage the investment properties	Pays rent to the Company for space leased in one of the Company's investment properties
Marc Muzzo	(1)	$ 125			
Stanley Goldfarb	(2)	$ 125			
Rudolph P. Bratty	(3)				
Dani Cohen	(4)			$ 31	$ 157
Mark Kornhaber	(5)				$ 2

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 properties	Pays rent to the Company for space leased in one of the Company's investment properties
Marc Muzzo	(1)	$ 150			
Stanley Goldfarb	(2)	$ 150			
Rudolph P. Bratty	(3)		$ 3		
Dani Cohen	(4)			$ 25	$ 157
Mark Kornhaber	(5)				$ 2

(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 co-tenant in the Company's investment properties. He is paid management fees for management services to the properties and pays rent for space leased in one of the properties as noted in the tables above.

(5) Marc Kornhaber is a co-tenant in the Company's investment properties. He pays rent for space leased in one of the properties 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 investment 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 repaying 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 comprises 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 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, 2014 and 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 $1.45 million 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. The Company expects to be able to repay or, if required, obtain an extension on the mortgage loan payable on one of its investment properties, if required.

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
Loan payable (1)	$ 4,701	$ 377	$ 726	$ 688	$ 2,910
Accounts payable and accrued liabilities	839	795	44	—	—
Liabilities and other contractual obligations	$ 5,540	$ 1,172	$ 770	$ 688	$ 2,910

(1) As the loan payable is at a variable rate, a 4% interest rate has been used for the remaining term to maturity.

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, 2014, with earlier adoption permitted. The Company has not yet assessed the impact of these new standards and amendments on its consolidated financial statements.

IAS 32 – Financial Instruments: Presentation ("IAS 32")

IAS 32 has been amended to clarify the requirements for offsetting of financial assets and liabilities. The amendments will be effective for annual periods beginning on or after January 1, 2014. The Company is in the process of evaluating the potential impact of the amendments on its consolidated financial statements.

IAS 36 – Impairment of Assets ("IAS 36")

IAS 36 has been amended to reduce the disclosure requirements for the recoverable amount for non-financial assets. The amendments will be effective for annual periods beginning on or after January 1, 2014. The Company is in the process of evaluating the potential impact of the amendments on its consolidated financial statements.

IFRS 7 – Financial Instruments: Disclosures

This standard has been amended to enhance disclosures relating to the transition from IAS 39, to IFRS 9, Financial Instruments ("IFRS 9"). The amendments will be effective for annual periods beginning on or after

January 1, 2015. The Company is in the process of evaluating the potential impact of the amendments on its consolidated financial statements.

IFRS 10, IFRS 12, and IAS 27

These standards have been amended to define an investment entity and to introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 on its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. The amendments will be effective for annual periods beginning on or after January 1, 2014. The Company is in the process of evaluating the potential impact of the amendments on its consolidated financial statements.

IFRS 9

The complete version of IFRS 9 was issued in July 2014 and is effective for accounting periods beginning on or after January 1, 2018 and early adoption is permitted. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

IFRIC 21 – Levies

This is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event giving rise to the liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This standard is applicable to annual reporting periods beginning on or after January 1, 2014.

FINANCIAL INSTRUMENTS

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, 2014 and 2013:

September 30, 2014 (in thousands of dollars)	Level 1	Level 2	Level 3	Total
Short-term investments	$ 39,828	$ —	$ —	$ 39,828
Marketable securities	3,465	—	—	3,465
	$ 43,293	$ —	$ —	$ 43,293

September 30, 2013 (in thousands of dollars)	Level 1	Level 2	Level 3	Total
Short-term investments	$ 37,417	$ —	$ —	$ 37,417
Marketable securities	2,766	—	—	2,766
	$ 40,183	$ —	$ —	$ 40,183

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 dates.

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

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 properties

The fair value of the Company's investment properties was determined by qualified external valuation professionals at September 30, 2014 and September 30, 2013. These properties comprise an industrial/commercial rental building and a rental building leased to a fast food outlet. The valuation of the former property was done using the "Discounted Cash Flow Method", where the income and expenses were projected over the anticipated term of the investment. The valuation of the latter property 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. There are no significant estimated costs to complete at September 30, 2014.

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 $0.1 million (2013 – $0.2 million), of which $0.1 million (2013 – $0.1 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 co-tenancy developments. At September 30, 2014, the Company's associates' share of the obligations of such co-tenancies comprises liabilities of $1.0 million (2013 – $1.1 million) and letters of credit of $0.1 million (2013 – $0.4 million) in support of obligations to complete servicing requirements in connection with various house building projects. In each case, assets of the co-tenancy developments, consisting primarily of cash and cash equivalents and housing under development, are available to satisfy such obligations.

OUTLOOK

As at September 30, 2014, 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 holdings consist of the investment properties described above under "Financial Condition – Assets." The Company is continuing with its efforts to complete the leasing of its Vaughan, Ontario industrial/commercial building. 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, 2014.

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. Subsequent to September 30, 2014, $0.43 million of the syndicated mortgage loans were repaid.

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.