CONSOLIDATED HCI HOLDINGS CORPORATION

ANNUAL REPORT • 2014

The Company's net loss for the year ended September 30, 2014 of $168,000 or $0.01 per share is primarily a result of a non-cash fair value reduction to its investment properties of $597,000. Net earnings for fiscal 2013 were $6,917,000 or $0.34 per share. Included in net earnings for the year ended September 30, 2013 is the reversal of prior year income tax provisions of $5,780,000, which were no longer considered necessary.

During 2014, the Company completed the redevelopment of one of its investment properties with a fast food restaurant tenancy commencing in the fourth quarter. Management is working diligently to lease the remaining vacant space in its other investment property, a multi-unit industrial/commercial building.

As the Company has completed and closed all houses in its housing development projects and continues to downsize its syndicated mortgage loan portfolio, management is exploring the most efficient way to return cash to our shareholders.

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

Stanley Goldfarb
President

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.

MANAGEMENT'S RESPONSIBILITIES

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

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

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

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

Stanley Goldfarb
President and Treasurer

December 12, 2014

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CONSOLIDATED HCI HOLDINGS CORPORATION

We have audited the accompanying consolidated financial statements of Consolidated HCI Holdings Corporation and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2014 and September 30, 2013 and the consolidated statements of operations, changes in shareholders' equity, comprehensive income and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Consolidated HCI Holdings Corporation and its subsidiaries as at September 30, 2014 and September 30, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)	September 30 2014	September 30 2013
ASSETS		
Non-current assets		
Investment properties (note 7)	$ 10,488	$ 10,705
Investment in syndicated mortgage loans (note 12(a))	—	968
Amounts receivable (note 10)	1,087	1,066
Tenant inducements (note 11)	355	377
	11,930	13,116
Current assets		
Cash and cash equivalents (note 9(a))	1,709	3,082
Restricted cash (note 9(b))	98	184
Amounts receivable (note 10)	66	255
Investment in syndicated mortgage loans (note 12(a))	527	341
Short-term investments (note 12(b))	39,828	37,417
Marketable securities (note 12(c))	3,465	2,766
Income tax recoverable	—	445
Tenant inducements (note 11)	22	22
Other	94	82
	45,809	44,594
	$ 57,739	$ 57,710
LIABILITIES		
Non-current liabilities		
Loan payable (note 13)	$ 3,343	$ 3,578
Accounts payable and accrued liabilities	44	70
Deferred income taxes and other tax liabilities (note 14)	1,385	1,329
	4,772	4,977
Current liabilities		
Loan payable (notes 13 and 20)	237	237
Accounts payable and accrued liabilities (note 20)	795	1,020
Income taxes payable	12	—
	1,044	1,257
	5,816	6,234
SHAREHOLDERS' EQUITY		
Capital stock (note 15)	35,890	35,890
Retained earnings	14,692	14,860
Accumulated other comprehensive income	1,341	726
	51,923	51,476
	$ 57,739	$ 57,710

Contingencies and commitments (note 22)

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

Approved by the Board of Directors

Director   Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended September 30 (in thousands of Canadian dollars, except share and per share amounts)	2014	2013
Housing revenue	$ —	$ 1,616
Housing cost of sales (note 8)	36	1,431
Gross margin (loss) on housing	(36)	185
Investment property revenue (note 20)	874	745
Investment property operating expenses (note 20)	244	381
Net rental income	630	364
Other income and (expenses)		
General and administrative (notes 20 and 21)	(883)	(1,038)
Interest and other income	903	1,282
Interest expense	(149)	(172)
Amortization of leasing costs	(11)	(11)
Fair value gain (loss) on investment properties (note 7)	(597)	798
	(737)	859
Earnings (loss) before income taxes	(143)	1,408
Provision for (recovery of) income taxes (note 14)	25	(5,509)
Net earnings (loss) for the year	$ (168)	$ 6,917
Basic and diluted earnings (loss) per share	$ (0.01)	$ 0.34
Weighted average number of shares outstanding	20,575,866	20,575,866

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)	Capital stock	Retained earnings	Accumulated other comprehensive income	Total equity
Balance – October 1,2012	$ 35,890	$ 7,943	$ 274	$ 44,107
Net earnings for the year	—	6,917	—	6,917
Other comprehensive income	—	—	452	452
Balance – September 30, 2013	35,890	14,860	726	51,476
Net loss for the year	—	(168)	—	(168)
Other comprehensive income	—	—	615	615
Balance – September 30, 2014	$ 35,890	$ 14,692	$ 1,341	$ 51,923

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended September 30 (in thousands of Canadian dollars)	2014	2013
Net earnings (loss) for the year	$ (168)	$ 6,917
Other comprehensive income, net of income tax		
Unrealized gains arising during the year on available-for-sale financial assets that may subsequently be reclassified to net earnings	615	452
Comprehensive income for the year	$ 447	$ 7,369

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30 (in thousands of Canadian dollars)	2014	2013
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net earnings (loss) for the year	$ (168)	$ 6,917
Add (deduct) non-cash items (note 19(a))	732	(833)
Costs recovered through sales of real estate	—	1,431
Expenditures on housing under development and land	—	(230)
Leasing costs incurred	(27)	(34)
Changes in non-cash operating balances (note 19(b))	381	8,578
	918	15,829
INVESTING ACTIVITIES		
Investment property		
Additions	(364)	(192)
Expropriation proceeds	—	108
Investment in syndicated mortgage loans		
Advances	(540)	(570)
Sales or maturities	1,257	4,774
Marketable securities		
Purchases	(149,725)	(81,436)
Sales or maturities	147,232	62,373
Restricted cash	86	36
	(2,054)	(14,907)
FINANCING ACTIVITIES		
Repayments of mortgage loan on investment property	(237)	(237)
Increase (decrease) in cash and cash equivalents during the year	(1,373)	685
Cash and cash equivalents, beginning of the year (note 9)	3,082	2,397
Cash and cash equivalents, end of the year (note 9)	$ 1,709	$ 3,082

SUPPLEMENTARY INFORMATION (note 19(c))

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

1. DESCRIPTION OF BUSINESS

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

The Board of Directors approved the consolidated financial statements on December 12, 2014.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of consolidated annual financial statements. The policies applied in these consolidated financial statements are based on IFRS policies effective as of September 30, 2014.

3. CHANGES IN ACCOUNTING POLICIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in Accounting Policies

The following changes in accounting policies were implemented by the Company during the year ended September 30, 2014:

IAS 1 – Presentation of Financial Statements ("IAS 1")

IAS 1 amendments require entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they will or will not be subsequently reclassified to net earnings or loss. The Company amended its presentation of the "consolidated statement of comprehensive income" to explicitly state that the items may be reclassified subsequently to earnings. The adoption of this amendment did not result in any changes to comprehensive income.

IFRS 10 – Consolidated Financial Statements

This standard requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation – Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The Company assessed its consolidation conclusions effective October 1, 2013 and determined that adoption of IFRS 10 did not result in any change in the consolidation status of any of its investees.

IFRS 11 – Joint Arrangements

This standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. The Company recognizes its share of the assets, liabilities, revenues and expenses of its joint operations. The Company does not have any investments classified as a joint venture. The Company has classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any change in the accounting policy for its joint arrangements.

IFRS 12 – Disclosure of Interests in Other Entities

This standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and non-consolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures that address the nature of, and risks associated with, an entity's interests in other entities. The Company adopted IFRS 12 effective October 1, 2013. The adoption of IFRS 12 results in the disclosures of condensed financial information of associates, subsidiaries and joint arrangements in the Company's consolidated financial statements for the year ending September 30, 2014 (note 6).

IFRS 13 – Fair Value Measurement

This standard is a comprehensive standard for fair value measurement and disclosure for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The Company adopted IFRS 13 effective October 1, 2013, on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments.

(b) Summary of Significant Accounting Policies

Principles of Consolidation

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

Investment Properties

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

Financial Instruments

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

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

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

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

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

The Company expenses transaction costs related to its marketable securities that are available-for-sale.

Tenant Inducements

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

Housing Under Construction

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

Capitalization of Costs

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

Revenue Recognition

Rental Revenue

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

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

Interest Income

Interest income is recognized using the effective interest rate method.

Housing Sales Revenue

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

Income Taxes

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

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

Operating Segments

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

4. CRITICAL ACCOUNTING ESTIMATES

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

(a) Impairment of Investments in Syndicated Mortgage Loans

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

(b) Fair Value of Investment Properties

The fair value of the Company's 50%-owned investment properties was determined by qualified external valuation professionals at September 30, 2013 and September 30, 2014. The valuations have been reviewed and approved by management. The 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" in which the income and expenses are 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. Any changes in estimates related to the inputs used in the valuations could impact the fair value of the investment properties materially.

(c) Estimated Costs to Complete Housing Under Construction

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

(d) Income Taxes

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

5. ACCOUNTING STANDARDS ISSUED AND YET TO BE APPLIED

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 is in the process of understanding the potential 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.

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.

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.

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.

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 with early adoption 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 use 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 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.

6. SEGMENTED INFORMATION

The Company operates in southern Ontario, in the Greater Toronto Area and surrounding communities and has three reportable segments: the construction and operation of investment 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:

	Revenue 2014	Revenue 2013	Earnings 2014	Earnings 2013
Investment properties	$ 874	$ 745	$ (127)	$ 979
Residential construction	2	1,644	(34)	213
Syndicated mortgage loans	300	740	300	740
Unallocated amounts:				
Interest income	601	514	601	514
	$ 1,777	$ 3,643		
General and administrative expenses			(883)	(1,038)
Recovery of (provision for) income taxes			(25)	5,509
Net earnings (loss) for the year			$ (168)	$ 6,917

Identifiable assets	Investment properties	Residential construction	Syndicated mortgage loans	Unallocated corporate assets	Total assets
September 30, 2014	$ 11,409	$ 1,664	$ 527	$ 44,139	$ 57,739
September 30, 2013	$ 11,716	$ 1,708	$ 1,309	$ 42,977	$ 57,710

Identifiable liabilities	Investment properties	Residential construction	Syndicated mortgage loans	Unallocated corporate liabilities	Total liabilities
September 30, 2014	$ 3,937	$ 174	$ —	$ 1,705	$ 5,816
September 30, 2013	$ 4,186	$ 183	$ —	$ 1,865	$ 6,234

Capital expenditures in the investment properties segment for the year ended September 30, 2014 amounted to $391 (2013 – $226).

7. INVESTMENT PROPERTIES

		2014		2013
Balance, beginning of the year	$	10,705	$	9,800
Amortization of leasing costs		(11)		(11)
Additions		364		192
Expropriation proceeds		—		(108)
Fair value adjustment		(597)		798
Leasing costs incurred		27		34
Balance, end of the year	$	10,488	$	10,705

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 $215 (at the Company's share – $108) net of a $390 (at the Company's share – $195) soil remediation offset for one of the parcels. The Company has the right to appeal the amount of compensation and the remediation offset without affecting the amount guaranteed, with the Region paying the costs of the appeal. At September 30, 2014, the Company is awaiting the results of their appeal.

The basis of valuation of the Company's investment properties is set out in note 4(b). Investment properties measured at fair value are categorized as Level 3 in the fair value hierarchy described in note 16, as the key valuation metrics are unobservable inputs in the calculation. There were no transfers into or out of Level 3 during the year. The key valuation metrics for the investment properties are set out in the following tables:

	2014			2013		
Capitalization rate	Minimum	Maximum	Applied	Minimum	Maximum	Applied
Industrial/commercial building	7.75%	8.25%	8.0%	7.75%	8.25%	8.0%
Fast food outlet	4.9%	6.1%	5.75%	4.3%	5.9%	5.75%

Stabilized net operating income	2014	2013
Industrial/commercial building	$ 1,598	$ 1,652
Fast food outlet	$ 121	$ 122

Fair values of investment properties are most sensitive to changes in discount and capitalization rates. An increase in the capitalization rate will result in a decrease in the fair value of an investment property, and vice versa. A decrease in the discount rate will result in an increase in the fair value of an investment property, and vice versa.

Presented separately from investment properties is $265 (September 30, 2013 – $246) of net straight-line rent receivable (included in note 10) arising from recognition of rental revenues on a straight-line basis over the lease term and $377 (2013 – $399) of tenant inducements (included in note 11) in accordance with IAS 17, Leases. The fair value of the investment properties has been reduced by these amounts presented separately.

The Company's investment properties, exclusive of the fast food outlet component referred to above, which is unencumbered, with a fair value of $9,605 (September 30, 2013 – $9,855), has been pledged as security for a mortgage loan payable (note 13).

8. HOUSING UNDER CONSTRUCTION

As of September 30, 2013 the Company has completed and closed all of its housing inventory. During the year ended September 30, 2014, the Company recorded costs resulting from changes to September 30, 2013 estimates of costs to complete completed projects.

9. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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

	2014	2013
Cash	$ 1,004	$ 2,269
Term deposits	705	813
Total cash and cash equivalents	$ 1,709	$ 3,082

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

Included in cash and cash equivalents is the Company's proportionate share of cash and cash equivalents of the Company's proportionately consolidated house building and investment property operations of $1,792 (September 30, 2013 – $761).

(b) Restricted cash is as follows:

	2014	2013
Total restricted cash	$ 98	$ 184

Restricted cash, all held in the Company's house building and investment property co-tenancies, includes deposits required to secure outstanding guarantees and letters of credit of $98 (2013 – $184).

10. AMOUNTS RECEIVABLE

	2014	2013
Straight-line rent receivable	$ 265	$ 246
Other recivables (a)	888	1,075
	$ 1,153	$ 1,321
Non-current	$ 1,087	$ 1,066
Current	66	255
	$ 1,153	$ 1,321

(a) Other receivables includes amounts 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, at its discretion, may 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 the 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.

11. TENANT INDUCEMENTS

	2014	2013
Tenant inducements	$ 432	$ 432
Less: Accumulated amortization	(55)	(33)
	$ 377	$ 399
Non-current	$ 355	$ 377
Current	22	22
	$ 377	$ 399

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

		2014		2013
(a) Syndicated mortgage loans are secured by real property, for remaining terms from 1 to 2 months (September 30, 2013 – 1 to 35 months) bearing interest at a period-end weighted average rate of 10.43% (September 30, 2013 – 9.69%) per annum.				
Non-current	$	—	$	968
Current		527		341
	$	527	$	1,309

The syndicated mortgage loans can be repaid by the borrowers prior to maturity and are due in 2015.

At September 30, 2014, syndicated mortgage loans to two different borrowers in amounts totaling $403 and $75, 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 82% of the syndicated mortgage loans related to projects in the Greater Toronto Area.

		2014		2013
(b) Short-term investments consist of the following: Canadian chartered bank term deposits issued for periods of 90 days or greater, bearing interest at a year-end weighted average rate of 1.40% (2013 – 1.5%)	$	39,828	$	37,417

		2014		2013
(c) Marketable securities consist of the following:				
16,000 CIBC non-cumulative Class A preferred shares, Series 27, to yield 5.6% per annum (cost – $400)	$	403	$	400
12,000 TD Bank Class A first preferred shares, Series O, to yield 4.85% per annum (cost – $300)		304		305
1,264 (2013 – 1,937) Faircourt Split Seven Trust, preferred securities, due December 31, 2014, to yield 6.25% (cost – $19; 2012 – $31)		12		20
52,840.03 B/1 shares York Select Unit Trust (cost – US$1,000; fair value US$2,450; 2013 – fair value – US$1,985).		2,746		2,041
	$	3,465	$	2,766

13. LOAN PAYABLE

The loan is as follows:

		2014		2013
Secured by an investment property, net of deferred financing fees of $24 (September 30, 2013 – $26)	$	3,580	$	3,815

Principal repayments on loan payable are due as follows:

Years ending September 30, 2015	$	237
2016		237
2017		237
2018		237
2019		237
Thereafter		2,419
		3,604
Less: Deferred financing fees		24
	$	3,580

The estimated fair value of loan payable at September 30, 2014 is $3,580 (September 30, 2013 – $3,815) because these loans payable bear interest at a variable rate.

The loan payable secured by an investment property constitutes the Company's 50% share of a first mortgage loan on its Vaughan, Ontario commercial/industrial building. Until February 27, 2013, the loan bore interest at 5.0%, the Business Development Bank of Canada's base rate for commercial and industrial loans. Effective February 28, 2013 the rate charged by the bank was reduced to 4.0% and remained at that rate throughout the remainder of 2013 and 2014. The loan matures in 2029. The Company has provided the lender with a guarantee of 50% of amounts due under the loan.

14. INCOME TAXES

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

	2014	2013
Current	$ 63	$ (4,621)
Deferred	(38)	(888)
Provision for (recovery of) income taxes	25	(5,509)
Income tax provision on other comprehensive income included in deferred income taxes	94	69
	$ 119	$ (5,440)

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

	2014	2013
Expected income tax at 26.5% (2013 – 26.5%)	$ (38)	$ 373
Reversal of provision no longer considered necessary	—	(5,780)
Other	63	(102)
Income tax provision (recovery) in consolidated statements of earnings	25	(5,509)
Income tax provision in consolidated statements of comprehensive income	94	69
	$ 119	$ (5,440)

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

	2014	2013
Temporary differences:		
Capital cost allowance in excess of accounting amortization booked	$ 400	$ 346
Costs capitalized for accounting, deducted for income tax	258	296
Unrealized gain on investment properties	451	511
Mortgage reserves and discounts on amounts receivable	71	65
Other comprehensive income	205	111
	$ 1,385	$ 1,329
Comprise:		
Deferred income tax liabilities reversing after more than 12 months	$ 1,344	$ 1,286
Deferred income tax liabilities reversing within 12 months	41	43
	$ 1,385	$ 1,329

15. CAPITAL STOCK

AUTHORIZED

Unlimited Class B, voting shares, without par value

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

	Number of shares	Amount
Balance, September 30, 2014 and 2013	20,575,866	$ 35,890

16. FINANCIAL INSTRUMENTS

Fair Values

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

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

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 September 30, 2013:

September 30, 2014	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	Level 1	Level 2	Level 3	Total
Short-term investments	$ 37,417	$ —	$ —	$ 37,417
Marketable securities	2,766	—	—	2,766
	$ 40,183	$ —	$ —	$ 40,183

Market Risk – Interest Rate Risk

The Company is subject to interest rate fluctuations; however, current low and stable interest rates have lessened the risk associated with such fluctuations.

The following interest sensitivity tables outline the potential impact of a 1% change in interest rates on variable rate assets and liabilities:

Year ended September 30, 2014		Interest rate risk			
		-1%		+1%	
Increase (decrease)	Carrying value	Net earnings	Equity	Net earnings	Equity
Financial assets					
Cash and cash equivalents	$ 1,709	$ (13)	$ (13)	$ 13	$ 13
Investment in preferred shares	718	—	148	—	(100)
Financial liabilities					
Mortgage payable	3,580	27	27	(27)	(27)
Total increase (decrease)		$ 14	$ 162	$ (14)	$ (114)

Year ended September 30, 2013		Interest rate risk			
		-1%		+1%	
Increase (decrease)	Carrying value	Net earnings	Equity	Net earnings	Equity
Financial assets					
Cash and cash equivalents	$ 3,082	$ (23)	$ (23)	$ 23	$ 23
Investment in preferred shares	725	—	149	—	(101)
Financial liabilities					
Mortgage payable	3,815	29	29	(29)	(29)
Total increase (decrease)		$ 6	$ 155	$ (6)	$ (107)

Credit and Operational Risks

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

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

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

Liquidity Risk

Liquidity risk is managed by maintaining cash and cash equivalents in excess of projected needs. 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, on demand.

The following table summarizes the contractual amounts and maturity periods of the Company's financial liabilities as at September 30, 2014 on an undiscounted basis:

Contractual obligations are due as follows:	Total	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loans 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.

Capital Risk Management

The Company's objectives when managing capital are:

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

The Company's capital consists of a mortgage loan payable on one of its investment properties and shareholders' equity and, other than the capital requirement with respect to the mortgage loan, to maintain a long-term debt to tangible equity ratio of 3:1, which condition has been met as at September 30, 2014, the Company 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.

17. FINANCIAL GUARANTEES

At September 30, 2014, the Company has available letters of credit totaling $98 (September 30, 2013 – $185) of which $98 (September 30, 2013 – $185) has been utilized in support of its obligation to complete servicing requirements in connection with various house building projects.

The Company is contingently liable for its co-investors' share of the obligations in co-tenancy developments. At September 30, 2014, the Company's co-investors' share of obligations of such entities comprises liabilities of $987 (September 30, 2013 – $915) and letters of credit of $129 (September 30, 2013 – $440) in support of obligations to complete servicing requirements in connection with various completed house building projects. In each case, assets of the co-tenancy developments, consisting primarily of cash and cash equivalents, are available to satisfy such obligations.

18. CO-TENANCIES

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

	2014	2013
Assets	$ 13,073	$ 13,424
Liabilities	4,111	4,369
	$ 8,962	$ 9,055
Revenue	$ 876	$ 2,389
Expenses	(440)	(1,995)
Fair value (loss) gain on investment properties	(597)	798
Earnings (loss)	$ (161)	$ 1,192
Cash provided by		
Operating activities	$ 790	$ (1,044)
Investing activities	(278)	(49)
Financing activities	(236)	(237)

19. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2014	2013
Deferred income taxes	$ (38)	$ (888)
Amortization of leasing costs	11	11
Amortization of deferred financing costs	2	2
Amortization of tenant inducements	22	21
Accrued interest receivable	157	894
Straight-line rent receivable	(19)	(75)
Fair value (gain) loss on investment properties	597	(798)
	$ 732	$ (833)

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

	2014	2013
Amounts receivable	$ 187	$ (81)
Accounts payable and accrued liabilities	(251)	88
Income tax recoverable	457	8,485
Other	(12)	86
	$ 381	$ 8,578

(c) Supplementary information consists of the following:

	2014	2013
Interest paid	$ 149	$ 172
Income taxes paid	$ 103	$ 627

20. RELATED PARTY TRANSACTIONS

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

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

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

Transactions with related parties during the year were as follows:

	2014	2013
Management fee expense	$ 250	$ 300
Rental operating expenses	$ 31	$ 25
Legal services	$ —	$ 3
Rental income	$ 159	$ 159

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

	2014	2013
Accounts payable and accrued liabilities	$ 250	$ 300

Key Management Compensation

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

	2014	2013
Salaries and employee benefits	$ 175	$ 171
Management fees	250	300
Directors' fees	56	54
Total	$ 481	$ 525

21. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

Expenses incurred by nature are as follows:

	2014	2013
Salaries, employee benefits and directors' fees	$ 314	$ 311
Management fees	250	300
Professional fees	179	277
Other	140	150
	$ 883	$ 1,038

22. CONTINGENCIES AND COMMITMENTS

As security for the Company's letter of credit facilities of $98 (September 30, 2013 – $185), the bank holds a general security agreement, a registered general assignment of book debts and a specific assignment of certain amounts due under agreements of purchase and sale.

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

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation as follows:

(a) Restricted cash totaling $831 was reclassified to amounts receivable; and

(b) Revenue figures in the segment and co-tenancy notes have been adjusted to remove the fair value gain on investment properties.

These reclassifications did not impact previously disclosed earnings.

CORPORATE DIRECTORY

DIRECTORS

Rudolph Bratty**
President
Ruland Reality Limited

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

John H. Daniels*
President
The Daniels Group Inc.

Richard Gambin*
President
Ricgam Investments Ltd.

Stanley Goldfarb
President
Logpin Investments Limited

Marc Muzzo
Director
Marel Contractors

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

OFFICERS

Stanley Goldfarb
President, Chief Executive Officer
& Treasurer

Marc Muzzo
Vice-President

John H. Craig
Secretary

Arnold J. Resnick
Chief Financial Officer

AUDITOR

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Investor
Services Inc.

SOLICITORS

Cassels Brock & Blackwell LLP

REGISTERED OFFICES

Consolidated HCI
Holdings Corporation
Suite 2100
40 King Street West
Toronto, Ontario
M5H 3C2

EXECUTIVE OFFICES

100 Strada Drive, Unit 3
Woodbridge, Ontario
L4L 5V7
Telephone: (905) 851-7741
Fax: (416) 253-5074
E-mail: ewdl@bellnet.ca

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: CXA.B

ANNUAL MEETING

Consolidated HCI Holdings Corporation's Annual Meeting will be held on Friday, March 27, 2015
at 11:00 A.M. in the Shepard Room, Novotel Hotel
3 Park Home Avenue, Toronto, Ontario

CONSOLIDATED HCI HOLDINGS CORPORATION
100 Strada Drive, Unit 3 • Woodbridge • Ontario • L4L 5V7
Tel: (905) 851-7741 • Fax: (416) 253-5074
E-mail: ewdl@bellnet.ca