CONSOLIDATED HCI HOLDINGS CORPORATION

THIRD QUARTER REPORT

3 For The Nine Months Ended
June 30, 2015

Consolidated HCI Holdings Corporation

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim consolidated financial statements of Consolidated HCI Holdings Corporation (the "Company") for the nine months ended June 30, 2015 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands of Canadian dollars)

	June 30 2015	September 30 2014
ASSETS		
Non-current assets		
Investment properties (note 6)	**$ 10,773**	$ 10,488
Amounts receivable (note 9)	**1,115**	1,087
Tenant inducements (note 10)	**339**	355
	12,227	11,930
Current assets		
Cash and cash equivalents (note 8(a))	**1,703**	1,709
Restricted cash (note 8(b))	**82**	98
Amounts receivable (note 9)	**67**	66
Investment in syndicated mortgage loans (note 11(a))	**22**	527
Short-term investments (note 11(b))	**9,892**	39,828
Marketable securities (note 11(c))	**2,991**	3,465
Tenant inducements (note 10)	**22**	22
Other	**43**	94
	14,822	45,809
Total assets	**$ 27,049**	$ 57,739
LIABILITIES		
Non-current liabilities		
Loan payable (note 12)	**$ 2,968**	$ 3,343
Accounts payable and accrued liabilities	**22**	44
Deferred income taxes (note 13)	**1,487**	1,385
	4,477	4,772
Current liabilities		
Loan payable (note 12)	**236**	237
Accounts payable and accrued liabilities (note 17)	**538**	795
Income taxes payable	**6**	12
	780	1,044
Total liabilities	**5,257**	5,816
SHAREHOLDERS' EQUITY		
Capital stock	**35,890**	35,890
(Deficit) Retained earnings	**(15,643)**	14,692
Accumulated other comprehensive income	**1,545**	1,341
Total shareholders' equity	**21,792**	51,923
Total liabilities and shareholders' equity	**$ 27,049**	$ 57,739

Contingencies and commitments (note 18)

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

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited, in thousands of Canadian dollars)

	Capital stock	**Retained earnings (deficit)**	**Accumulated other comprehensive income**	**Total equity**
Balance – October 1, 2014	**$ 35,890**	**$ 14,692**	**$ 1,341**	**$ 51,923**
Net earnings for the period	**–**	**529**	**–**	**529**
Other comprehensive income	**–**	**–**	**211**	**211**
Dividends paid (note 19)	**–**	**(30,864)**	**–**	**(30,864)**
Amounts reclassified to consolidated statement of earnings	**–**	**–**	**(7)**	**(7)**
Balance – June 30, 2015	**$ 35,890**	**$ (15,643)**	**$ 1,545**	**$ 21,792**

	Capital stock	Retained earnings	Accumulated other comprehensive income	Total equity
Balance – October 1, 2013	$ 35,890	$ 14,860	$ 726	$ 51,476
Net earnings for the period	–	488	–	488
Other comprehensive income	–	–	625	625
Balance – June 30, 2014	$ 35,890	$ 15,348	$ 1,351	$ 52,589

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

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended June 30 2015	Three months ended June 30 2014	Nine months ended June 30 2015	Nine months ended June 30 2014
Housing revenue	**$ –**	$ –	**$ –**	$ –
Housing cost of sales (note 7)	**–**	5	**26**	27
Gross loss on housing	**–**	5	**26**	27
Investment property revenue (note 17)	**277**	230	**776**	659
Investment property operating expenses (note 17)	**69**	47	**225**	164
Net rental income	**208**	183	**551**	495
Other income (expenses)				
General and administrative (note 17)	**(187)**	(238)	**(702)**	(692)
Interest and other income	**101**	194	**520**	733
Interest expense	**(33)**	(38)	**(102)**	(112)
Amortization of leasing costs	**(3)**	(2)	**(8)**	(8)
Fair value gain on investment properties (note 6)	**168**	20	**438**	200
	46	(64)	**146**	121
Earnings before income taxes	**254**	114	**671**	589
Provision for income taxes (note 13)	**30**	26	**142**	101
Net earnings for the period	**$ 224**	$ 88	**$ 529**	$ 488
Basic and diluted earnings per share	**$ 0.01**	$ –	**$ 0.03**	$ 0.02
Weighted average number of shares outstanding	**20,575,866**	20,575,866	**20,575,866**	20,575,866

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)

	Three months ended June 30 2015	Three months ended June 30 2014	Nine months ended June 30 2015	Nine months ended June 30 2014
Net earnings for the period	$ 224	88	**$ 529**	$ 488
Other comprehensive income, net of income taxes, which will recycle through profit				
Unrealized gains (losses) arising during the year on available-for-sale financial assets	(213)	61	**211**	625
Amounts reclassified to consolidated statement of earnings	–	–	**(7)**	–
Comprehensive income for the period	$ 11	149	**$ 733**	$ 1,113

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

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian dollars)

	Nine months ended June 30 2015	Nine months ended June 30 2014
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net earnings for the period	**$ 529**	$ 488
Deduct non-cash items (note 16(a))	**(314)**	(2)
Changes in non-cash operating balances (note 16(b))	**(248)**	148
	(33)	634
INVESTING ACTIVITIES		
Investment properties		
Additions	**(50)**	(159)
Expropriation proceeds	**195**	–
Investment in syndicated mortgage loans		
Purchases	**–**	(540)
Maturities	**501**	289
Short-term investments		
Purchases	**(90,939)**	(109,950)
Maturities	**120,834**	108,457
Proceeds on sale of marketable securities	**712**	–
Restricted cash	**16**	86
	31,269	(1,817)
FINANCING ACTIVITIES		
Repayment of mortgage loan on investment property	**(378)**	(178)
Dividends paid	**(30,864)**	–
	(31,242)	(178)
Decrease in cash and cash equivalents during the period	**(6)**	(1,361)
Cash and cash equivalents, beginning of the period (note 8(a))	**1,709**	3,082
Cash and cash equivalents, end of the period (note 8(a))	**$ 1,703**	$ 1,721

SUPPLEMENTARY INFORMATION (note 16(c))

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

1. Description of Business

Consolidated HCI Holdings Corporation and its subsidiaries (together "CHCI" or the "Company") is an Ontario based, publicly traded real estate development company trading on the Toronto Stock Exchange under the symbol CXA.B. The activities of the Company include the leasing of two investment properties in Vaughan, Ontario, comprising a multi-unit, 50%-owned industrial/commercial building and a 50%-owned rental building leased as a fast food outlet. The Company also invests in syndicated mortgage loans, which are secured by real property developments of other land developers and builders and, until September 30, 2013, 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 interim consolidated financial statements on August 11, 2015.

2. Basis of Preparation and Change in Accounting Policies

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim consolidated financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting.

The policies applied in these interim consolidated financial statements are based on IFRS policies effective as of June 30, 2015.

These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2014.

The following changes in accounting policies were implemented by the Company during the nine-month period ended June 30, 2015:

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 are 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 are effective for annual periods beginning on or after January 1, 2014.

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 are effective for annual periods beginning on or after January 1, 2014.

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 effective for annual reporting periods beginning on or after January 1, 2014.

The foregoing changes in accounting policy did not have an impact on the Company's consolidated financial statements.

3. Critical Accounting Estimates

The preparation of the interim 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 interim consolidated financial statements 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 values of the Company's 50%-owned investment properties, comprising an industrial/commercial rental building and a rental building leased to a fast food outlet, were determined internally using the "Overall Capitalization Rate Method." This method applies overall capitalization rates, as detailed in note 6, to stabilized net operating income and incorporates allowances for vacancy. Fair value at September 30, 2014 was determined by qualified external valuation professionals. 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. The valuations have been reviewed and approved by management.

(c) 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 interim 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.

4. 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, 2015, unless otherwise noted, with earlier adoption permitted. The Company has not yet assessed the impact of these new standards and amendments on its interim 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"). These amendments will be effective on the adoption of IFRS 9 described below.

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.

5. 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:

Three months ended June 30

	Revenue		Earnings (loss)	
	2015	2014	**2015**	2014
Investment properties	**$ 296**	$ 230	**$ 359**	$ 163
Residential construction	**1**	2	**1**	(3)
Syndicated mortgage loans	**1**	45	**1**	45
Unallocated amounts:				
Interest and other income	**80**	147	**80**	147
	$ 378	$ 424		
General and administrative expenses			**(187)**	(238)
Provision for income taxes			**(30)**	(26)
Net earnings for the period			**$ 224**	$ 88

Nine months ended June 30

	Revenue		Earnings (loss)	
	2015	2014	**2015**	2014
Investment properties	**$ 795**	$ 659	**$ 898**	$ 575
Residential construction	**5**	6	**(21)**	(21)
Syndicated mortgage loans	**8**	275	**8**	275
Unallocated amounts:				
Interest and other income	**488**	452	**488**	452
	$ 1,296	$ 1,392		
General and administrative expenses			**(702)**	(692)
Provision for income taxes			**(142)**	(101)
Net earnings for the period			**$ 529**	$ 488

Identifiable Assets

	Investment properties	Residential construction	Syndicated mortgage loans	Unallocated corporate assets	Total assets
June 30, 2015	**$ 11,675**	**$ 1,650**	**$ 22**	**$ 13,702**	**$ 27,049**
September 30, 2014	$ 11,409	$ 1,664	$ 527	$ 44,139	$ 57,739

Identifiable Liabilities

	Investment properties	Residential construction	Syndicated mortgage loans	Unallocated corporate liabilities	Total liabilities
June 30, 2015	**$ 3,348**	**$ 181**	**$ –**	**$ 1,726**	**$ 5,255**
September 30, 2014	$ 3,937	$ 174	$ –	$ 1,705	$ 5,816

Capital expenditures in the investment properties segment for the nine months ended June 30, 2015 amounted to $50 (2014 – $159).

6. Investment Properties

	Nine months ended June 30 2015	Year ended September 30 2014
Balance, beginning of the period	**$ 10,488**	$ 10,705
Amortization of leasing costs	**(8)**	(11)
Additions	**50**	364
Expropriation appeal proceeds	**(195)**	–
Fair value gain (loss)	**438**	(597)
Leasing costs incurred	**–**	27
Balance, end of the period	**$ 10,773**	$ 10,488

The basis of valuation of the Company's 50%-owned investment properties is set out in note 3(b). Investment properties measured at fair value are categorized as Level 3 in the fair value hierarchy described in note 14, as the key valuation metrics are unobservable inputs in the calculation. There were no transfers into or out of Level 3 during the period. The key valuation metrics for the investment properties are set out in the following tables:

	June 30, 2015			September 30, 2014		
Capitalization rate	**Minimum**	**Maximum**	**Applied**	Minimum	Maximum	Applied
Industrial/commercial building	**6.2%**	**8.0%**	**7.15%**	7.75%	8.25%	8.0%
Fast food outlet	**4.6%**	**6.1%**	**5.25%**	4.9%	6.1%	5.75%

	June 30, 2015	September 30, 2014
Stabilized net operating income – at 100%		
Industrial/commercial building	**$ 1,622**	$ 1,598
Fast food outlet	**$ 121**	$ 121

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 $304 (September 30, 2014 – $265) of net straight-line rent receivable (included in note 9) arising from recognition of rental revenues on a straight-line basis over the lease term and $361 (September 30, 2014 – $377) of tenant inducements (included in note 10) 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 $9,684 (September 30, 2014 – $9,605), has been pledged as security for a mortgage loan payable (note 12).

As previously reported, 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 forming part of the Company's investment properties. The Company received guaranteed amounts based on the Region's valuation and launched appeals of these amounts during 2014. With respect to one of the parcels, the Company accepted the Region's valuation and the refund of a soil remediation offset of $390 (at the Company's share – $195) deducted from that valuation. The settlement was approved by The York Regional Council and the refund was received by the Company during the third quarter of 2015. With respect to the other parcel, the appeal remains in process.

7. Housing Under Construction

As at September 30, 2013, the Company had completed and closed all of its housing inventory. During the nine months ended June 30, 2015 and 2014, the Company recorded costs resulting from changes to September 30, 2013 estimates of costs to complete completed projects.

8. Cash and Cash Equivalents and Restricted Cash

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

	June 30 2015	September 30 2014
Cash	$ 999	$ 1,004
Term deposits	704	705
	$ 1,703	$ 1,709

Cash and cash equivalents include unrestricted cash and term deposits with an original 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 entities of $926 (September 30, 2014 – $863).

(b) Restricted cash is as follows:

	June 30 2015	September 30 2014
Total restricted cash	$ 82	$ 98

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 $82 (September 30, 2014 – $98).

9. Amounts Receivable

	June 30 2015	September 30 2014
Straight-line rent receivable	$ 304	$ 265
Other (a)	878	888
	$ 1,182	$ 1,153
Non-current	$ 1,115	$ 1,087
Current	67	66
	$ 1,182	$ 1,153

(a) Other receivables includes $831 (September 30, 2014 – $831) owing from the Company's house building co-tenancies' project manager (note 17). 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 June 30, 2015 and September 30, 2014.

10. Tenant Inducements

		June 30 2015		September 30 2014
Tenant inducements	**$**	**432**	$	432
Less: Accumulated amortization		**(71)**		(55)
	$	**361**	$	377
Non-current	**$**	**339**	$	355
Current		**22**		22
	$	**361**	$	377

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.

11. Investments in Syndicated Mortgage Loans, Short-term Investments and Marketable Securities

			June 30 2015		September 30 2014
(a)	Syndicated mortgage loans secured by real property, for a remaining term of 3 months (September 30, 2014 – terms of 1 to 2 months), bearing interest at a period-end rate of 9.9% (September 30, 2014 – a weighted average rate of 10.43%) per annum.	**$**	**22**	$	527

The one remaining syndicated mortgage loan can be repaid by the borrower prior to maturity and is due in 2016.

			June 30 2015		September 30 2014
(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 period-end weighted average rate of 1.10% (September 30, 2014 – 1.4%).	**$**	**9,892**	$	39,828

			June 30 2015		September 30 2014
(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
	12,000 TD Bank Class A first preferred shares, Series O, to yield 4.85% per annum (cost – $300)		**–**		304
	1,264 Faircourt Split Seven Trust, preferred securities, due December 31, 2014, to yield 6.25% (cost September 30, 2014 – $12)		**–**		12
	52,840.03 B/1 shares York Select Unit Trust (cost – US$1,000; fair value – US$2,397; September 30, 2014 – fair value – US$2,450)		**2,991**		2,746
		$	**2,991**	$	3,465

12. Loan Payable

The loan payable is as follows:

	June 30 2015	September 30 2014
Secured by an investment property, net of deferred financing fees of $20 (September 30, 2014 – $24)	**$ 3,204**	$ 3,580

Principal repayments on the loan payable are due as follows:

Years ending September 30,	2015	$ 59
	2016	237
	2017	237
	2018	237
	2019	237
	Thereafter	2,217
		3,224
Less: Deferred financing fees		(20)
		$ 3,204

The estimated fair value of the loan payable at June 30, 2015 and September 30, 2014 approximates the carrying value because this loan payable bears 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 one of its Vaughan, Ontario investment properties. Until February 27, 2013, the loan bore interest at 5% per annum, the Business Development Bank of Canada's Base rate for commercial and industrial loans ("Base rate"). On February 28, 2013 the interest rate was reduced to Base rate minus 1%, or 4% per annum. Effective January 29, 2015, the Base rate was reduced to 4.85% and the rate charged to the Company was reduced to 3.85%. Effective July 20, 2015 the Base rate was reduced to 4.70% and the rate charged to the Company was reduced to 3.70%. The loan matures in 2029. The Company has provided the lender with a guarantee of 50% of amounts due under the loan.

13. Income Taxes

(a) Significant components of the income tax provision for the nine months ended June 30 are as follows:

	Nine months ended June 30 2015	June 30 2014
Current	**$ 71**	$ 56
Deferred	**71**	45
	142	101
Income tax provision on other comprehensive income included in deferred income taxes	**31**	95
	$ 173	$ 196

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

	Nine months ended June 30 2015	June 30 2014
Expected income tax at 26.5% (2014 – 26.5%)	**$ 178**	$ 156
Other	**(36)**	(55)
Income tax provision in interim consolidated statements of earnings	**142**	101
Income tax provision in interim consolidated statements of comprehensive income	**31**	95
	$ 173	$ 196

(c) Deferred income taxes relate to:

	June 30 2015	September 30 2014
Temporary differences:		
Capital cost allowance in excess of accounting amortization booked	**$ 429**	$ 400
Costs capitalized for accounting, deducted for income tax	**218**	258
Unrealized gain on investment properties	**523**	451
Mortgage reserves	**81**	71
Other comprehensive income	**236**	205
	$ 1,487	$ 1,385
Comprised of:		
Deferred income tax liabilities reversing after more than 12 months	**$ 1,438**	$ 1,344
Deferred income tax liabilities reversing within 12 months	**49**	41
	$ 1,487	$ 1,385

14. 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 interim 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 June 30, 2015 and September 30, 2014:

June 30, 2015

	Level 1	Level 2	Level 3	Total
Short-term investments	**$ 9,892**	**$ –**	**$ –**	**$ 9,892**
Marketable securities	**–**	**2,991**	**–**	**2,991**
	$ 9,892	**$ 2,991**	**$ –**	**$ 12,883**

September 30, 2014

	Level 1	Level 2	Level 3	Total
Short-term investments	$ 39,828	$ –	$ –	$ 39,828
Marketable securities	719	2,746	–	3,465
	$ 40,547	$ 2,746	$ –	$ 43,293

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 table outlines the potential impact of a 1% change in interest rates on variable rate assets and liabilities for the nine months ended June 30:

June 30, 2015

	Carrying Value	Interest Rate Risk			
		-1%		+1%	
Increase (decrease)		Net Earnings	Equity	Net Earnings	Equity
Financial Assets					
Cash and cash equivalents	**$ 1,703**	**$ (9)**	**$ (9)**	**$ 9**	**$ 9**
Financial Liabilities					
Loan payable	**3,204**	**18**	**18**	**(18)**	**(18)**
Total increase (decrease)		**$ 9**	**$ 9**	**$ (9)**	**$ (9)**

June 30, 2014

Increase (decrease)	Carrying Value	Interest Rate Risk -1% Net Earnings	-1% Equity	+1% Net Earnings	+1% Equity
Financial Assets					
Cash and cash equivalents	$ 1,721	$ (9)	$ (9)	$ 9	$ 9
Investment in preferred shares	727	–	152	–	(102)
Financial Liabilities					
Loan payable	3,639	21	21	(21)	(21)
Total increase (decrease)		$ 12	$ 164	$ (12)	$ (114)

Credit and Operational Risks

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

The Company's maximum exposure to credit risk are the fair values of cash and cash equivalents, restricted cash, amounts receivable, short-term investments, investment 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 at June 30, 2015 on an undiscounted basis:

Contractual obligations are due as follows:	**Total**	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loan payable (1)	**$ 4,039**	$ 353	$ 679	$ 644	$ 2,363
Accounts payable and accrued liabilities	**560**	536	24	–	–
Liabilities and other contractual obligations	**$ 4,599**	$ 889	$ 703	$ 644	$ 2,363

(1) As the loan payable is at a variable rate, a 3.7% interest rate has been used for the remaining term to maturity.

Capital Risk Management

The Company's objectives when managing capital are:

a) 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

b) to provide an adequate return to shareholders by obtaining an appropriate amount of debt, commensurate with the level of risk, to reduce the after-tax cost of capital.

The Company's capital consists of a mortgage loan payable on its investment property and shareholders' equity and, other than the 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 at June 30, 2015, it is not subject to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company manages its 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.

15. Financial Guarantees

At June 30, 2015, the Company has available letters of credit totaling $82 (September 30, 2014 – $98) of which $82 (September 30, 2014 – $98) has been utilized in support of its obligation to complete servicing requirements in connection with various house building projects and an investment property.

The Company is contingently liable for its co-investors' share of the obligations in co-tenancy developments. At June 30, 2015, the Company's co-investors' share of obligations of such entities comprises liabilities of $842 (September 30, 2014 – $987) and letters of credit of $90 (September 30, 2014 – $129) in support of obligations to complete servicing requirements in connection with various house building projects and an investment property. In each case, assets of the co-tenancy developments, consisting primarily of cash and cash equivalents, are available to satisfy such obligations.

16. Consolidated Statements of Cash Flows

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

	Nine months ended June 30 2015	Nine months ended June 30 2014
Deferred income taxes	**$ 71**	$ 45
Amortization of leasing costs	**8**	8
Amortization of deferred financing costs	**2**	4
Amortization of tenant inducements	**16**	17
Accrued interest receivable	**42**	138
Straight-line rent receivable	**(15)**	(14)
Fair value gain on investment property	**(438)**	(200)
	$ (314)	$ (2)

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

	Nine months ended June 30 2015	Nine months ended June 30 2014
Amounts receivable	**$ (14)**	$ 213
Accounts payable and accrued liabilities	**(279)**	(507)
Income taxes payable	**(6)**	450
Other	**51**	(8)
	$ (248)	$ (148)

(c) Supplementary information consists of the following:

	Nine months ended June 30 2015	Nine months ended June 30 2014
Interest paid	**$ 102**	$ 112
Income taxes paid	**$ 87**	$ 103

17. 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 some of its co-tenancies;
- a shareholder who is also an officer and a director of the Company 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 11(a). 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 period were as follows:

	Nine months ended **June 30 2015**	Nine months ended June 30 2014
Management fee expense	**$ 212**	$ 212
Rental income	**$ 127**	$ 123

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

	June 30 2015	September 30 2014
Accounts payable and accrued liabilities	**$ 188**	$ 250

18. Contingencies and Commitments

As security for the Company's letter of credit facilities of $82 (September 30, 2014 – $98), 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 brought against it and its subsidiaries. Management does not believe these proceedings in aggregate will have a material adverse effect on the Company's interim consolidated financial position or financial performance.

19. Dividends Paid

On May 12, 2015, the Company declared a special dividend of $1.50 per Class B share payable to shareholders of record at the close of business on May 28, 2015. The dividend, totaling $30,864 was paid on June 28, 2015.

20. Comparative Figures

Comparative revenue figures in the segment and co-tenancy notes have been reclassified to remove the fair value gains and losses on investment properties to conform with the current year's presentation. These reclassifications did not impact previously disclosed earnings.

MANAGEMENT'S DISCUSSION and ANALYSIS

As of August 11, 2015

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Consolidated HCI Holdings Corporation ("CHCI" or the "Company") for the nine-month periods ended June 30, 2015 and 2014, as well as updating CHCI's most recently issued annual MD&A, dated February 9, 2015. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company, including the notes thereto, for the nine-month periods ended June 30, 2015 and 2014 and should also be read in conjunction with the audited consolidated financial statements and the MD&A for the fiscal years ended September 30, 2014 and 2013, as set out in the Company's 2014 Annual Report.

Additional information relating to the Company, including the Certification of Interim Filings for the quarter ended June 30, 2015 signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") is also available on the SEDAR website at www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and has in place 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 unaudited interim consolidated financial statements as at June 30, 2015 and 2014.

FORWARD-LOOKING STATEMENTS

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

OVERVIEW

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 leasing of two investment properties in Vaughan, Ontario, comprising a multi-unit, 50%-owned industrial/commercial building and a 50%-owned rental building leased as a fast food outlet. 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.

REVIEW OF FINANCIAL RESULTS

Results of Operations

Summary of operating results

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

	Three months ended		Nine months ended	
	June 30 2015	June 30 2014	**June 30 2015**	June 30 2014
Revenue	**$ 378**	$ 424	**$ 1,296**	$ 1,392
Earnings before income taxes	**$ 254**	$ 114	**$ 671**	$ 589
Provision for income taxes	**30**	26	**142**	101
Net earnings for the period	**$ 224**	$ 88	**$ 529**	$ 488
Basic and diluted earnings per share	**$ 0.01**	$ –	**$ 0.03**	$ 0.02

Revenue in the first nine months of fiscal 2015 decreased by $0.1 million compared to the revenue recorded for the same period in fiscal 2014. This decrease is comprised of a decrease in interest and other income of $0.2 million, partially offset by an increase in rental revenue of $0.1 million.

House building operations

(Unaudited, in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	June 30 2015	June 30 2014	**June 30 2015**	June 30 2014
Revenue from housing sales	**$ –**	$ –	**$ –**	$ –
Housing cost of sales	**–**	5	**26**	27
Gross loss from housing sales	**$ –**	$ 5	**$ 26**	$ 27

The Company completed and closed all housing inventory as at September 30, 2013. In the first nine months of both 2015 and 2014, adjustments for cost estimates made in four projects, which had previously sold out, resulted in the Company recording losses totaling $26 thousand and $27 thousand, respectively, in its house building segment.

Rental operations

(Unaudited, in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	June 30 2015	June 30 2014	**June 30 2015**	June 30 2014
Rental revenues	**$ 277**	$ 230	**$ 776**	$ 659
Property operating expenses	**69**	47	**225**	164
Net operating income*	**$ 208**	$ 183	**$ 551**	$ 495

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

The increase of $0.117 million in rental revenue in the first nine months of 2015 compared to the same period in 2014 is primarily the result of the commencement of a new fast food restaurant tenancy and three tenant renewals at increased lease rates in the fourth quarter of 2014.

Property operating expenses in the first nine months of 2015 increased by $0.06 million compared to the corresponding period in 2014, the result of an increase in realty taxes and other period costs.

At June 30, 2015, the Company's investment properties comprise a multi-unit 50%-owned industrial/commercial building and a 50%-owned rental building leased as a fast food outlet in Vaughan, Ontario.

At June 30, 2015, the industrial/commercial building occupancy rate, unchanged since December 31, 2013, was 68%.

During the third quarter of 2015, the Company leased 6,660 square feet of vacant space in the building for a term of seven years with an option to renew for a further five years. The tenancy is expected to commence on July 1, 2015 on completion of the landlord's work and will bring the occupancy rate up to 71%.

Interest and other income

Interest and other income decreased by $0.21 million for the nine months ended June 30, 2015 compared to the corresponding period in the previous year. This decrease is comprised of a decrease in interest income of $0.33 million, partially offset by $0.12 of cost recoveries in the second quarter of 2015 related to a land development project completed in a previous year. Since October 1, 2013, the Company has been reducing its investment in higher rate syndicated mortgage loans and re-investing the proceeds in lower rate term deposits, the rates of return on which have been in decline over the past twenty-one months.

General and administrative expenses

General and administrative expenses increased marginally for the first nine months of 2015 compared to the corresponding period in the previous year with no one expense category changing materially year over year.

Income taxes

The income tax provision for the first nine months of 2015 of $0.14 million (2014 – $0.1 million) has been computed by applying the average statutory Canadian federal and provincial income tax rate of 26.5% (2014 – 26.5%) to earnings before income taxes.

FINANCIAL CONDITION

(Unaudited, in thousands of Canadian dollars)

	June 30 2015	September 30 2014
Investment properties	**$ 10,773**	$ 10,488
Cash and cash equivalents	**1,703**	1,709
Restricted cash	**82**	98
Amounts receivable	**1,182**	1,153
Investment in syndicated mortgage loans	**22**	527
Short-term investments	**9,892**	39,828
Marketable securities	**2,991**	3,465
Tenant inducements	**361**	377
Other assets	**43**	94
Total assets	**$ 27,049**	$ 57,739
Long-term financial liability:		
Mortgage loan on investment property	**$ 3,204**	$ 3,580

ASSETS AND LIABILITIES

During the first nine months of fiscal 2015, the Company realized cash from interest earned on its investments in syndicated mortgage loans, cash and short-term investments, principal repayments on syndicated mortgage loans and its investment property operations. The majority of this cash was used to fund investment property operations and general and administrative costs.

A condition of the mortgage loan on one of the Company's Vaughan, Ontario investment properties is that the co-tenancy maintains a long-term debt to tangible equity ratio of 3:1. As at June 30, 2015, this condition has been met.

Effective January 29, 2015, the interest rate on the loan payable on the Company's 50%-owned investment property was reduced from 4.00% to 3.85% per annum. Effective July 20, 2015, the rate was further reduced to 3.7%.

At June 30, 2015, the Company's real estate holdings consist of its 50% share of the investment properties in Vaughan, Ontario referred to above and one serviced residential lot in Mississauga, Ontario. The residential lot was written down in a previous year to a nominal amount, as it had been deeded to the City of Mississauga and will only be returned to the Company and be available to sell on the resolution of certain stormwater management issues affecting the lot and non-owned adjoining lands, which resolution is not assured. The Company will reverse the provision of approximately $23 if the above matters are rectified.

As previously reported, 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 forming part of the Company's investment properties. The Company received guaranteed amounts based on the Region's valuation and launched appeals of these amounts during 2014. With respect to one of the parcels, the Company accepted the Region's valuation and the refund of a soil remediation offset of $390 (at the Company's share – $195) deducted from that valuation. The settlement was approved by The York Regional Council and the refund was received by the Company during the third quarter of 2015. With respect to the other parcel, the appeal remains in process.

OUTSTANDING SHARE DATA

Authorized capital stock consists of an unlimited number of Class B voting shares without par value. Issued and outstanding as at June 30, 2015 are 20,575,866 shares, unchanged from October 1, 2013.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

(Unaudited, in thousands of Canadian dollars)

	Nine months ended June 30 2015	Nine months ended June 30 2014
Cash provided by (used in):		
Operating activities	**$ (33)**	$ 634
Investing activities	**31,269**	(1,817)
Financing activities	**(31,242)**	(178)
Decrease in cash and cash equivalents during the period	**(6)**	(1,361)
Cash and cash equivalents, beginning of the period	**1,709**	3,082
Cash and cash equivalents, end of the period	**$ 1,703**	$ 1,721

Cash and cash equivalents at the end of the nine months ended June 30, 2015 were marginally less than at the beginning of the period. The Company's cash flow, derived primarily from the reduction of its investments in term deposits, syndicated mortgage loans and preferred shares, and cash flow from interest and other income and investment property operations, enabled it to fund its administrative costs and the payment of a dividend. On May 12, 2015, the Company declared a special dividend of $1.50 per Class B share payable to shareholders of record at the close of business on May 28, 2015. The dividend, totaling $30.9 million was paid on June 28, 2015.

The Company continues to use cash flows to invest in money market investments, to fund its investment property operations and to fund general and administrative costs. The Company's cash and cash equivalents serve to provide the Company with sufficient liquidity to carry on its business activities.

CONTRACTUAL OBLIGATIONS

The following table summarizes the contractual amounts and maturity periods of the Company's financial liabilities at June 30, 2015 on an undiscounted basis:

(Unaudited, in thousands of Canadian dollars)

Contractual obligations are due as follows:	**Total**	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loan payable (1)	**$ 4,039**	$ 353	$ 679	$ 644	$ 2,363
Accounts payable and accrued liabilities	**560**	536	24	–	–
Liabilities and other contractual obligations	**$ 4,599**	$ 889	$ 703	$ 644	$ 2,363

(1) As the loan payable is at a variable rate, a 3.7% interest rate has been used for the remaining term to 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:

(Unaudited, in thousands of Canadian dollars)

June 30 , 2015	Note	Receives management fees from the Company	Receives fees for legal services provided to the Company	Receives property management fees to manage the investment property	Pays rent to the Company for space leased in the Company's investment property
Marc Muzzo	(1)	**$ 94**			
Stanley Goldfarb	(2)	**$ 94**			
Dani Cohen	(3)			**$ 24**	**$ 116**
Mark Kornhaber	(4)				**$ 11**

March 31, 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 property	Pays rent to the Company for space leased in the Company's investment property
Marc Muzzo	(1)	$ 94			
Stanley Goldfarb	(2)	$ 94			
Dani Cohen	(3)			$ 24	$ 116
Mark Kornhaber	(4)				$ 7

(1) Marc Muzzo is a shareholder, director and officer of the Company who holds management positions in entities that have 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.

(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) 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.

(4) 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

Market Risk – Interest Rate Risk

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

Credit and Operational Risks

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

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

As at June 30, 2015 and September 30, 2014, none of the Company's financial assets are past due.

Liquidity Risk

Liquidity risk is managed by maintaining cash and cash equivalents in excess of projected needs, which includes the funding of commitments under certain of the Company's syndicated mortgage loan investments, as indicated in note 11(a) to the unaudited interim consolidated financial statements for the nine-month period ended June 30, 2015. The Company expects to be able to repay or, if required, obtain an extension on the loan payable on the investment property, if required, on demand.

Capital Risk Management

The Company's objectives when managing capital are:

a) 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
b) 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 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 at June 30, 2015, it is not subject to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company manages its 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.

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.

CONTROLS AND PROCEDURES

At June 30, 2015, the CEO and the CFO ("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 they have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its interim consolidated financial statements for external purposes in accordance with IFRS. All ICFR are either completed or reviewed by the CFO with involvement from the CEO and Vice-President as deemed necessary. Other than the CFO, the Company has only one employee who is engaged in accounting and recordkeeping functions and who is directly supervised by the CFO.

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

The following summary of financial information as at June 30, 2015 and September 30, 2014 and for the nine-month periods ended June 30, 2015 and 2014 relates to the Company's proportionately consolidated entities, comprising all its investments in its investment property and residential construction segments:

(Unaudited, in thousands of Canadian dollars)

	June 30 2015	September 30 2014
Assets	**$ 13,325**	$ 13,073
Liabilities	**3,529**	4,111
	$ 9,796	$ 8,962

	Three months ended		Nine months ended	
	June 30 2015	June 30 2014	**June 30 2015**	June 30 2014
Revenue	**$ 297**	$ 232	**$ 800**	$ 665
Expenses	**(105)**	(92)	**(361)**	(311)
Fair value gain on investment properties	**168**	20	**438**	200
Earnings	**$ 360**	$ 160	**$ 877**	$ 554

	Nine months ended June 30 2015	June 30 2014
Cash provided by (used in)		
Operating activities	**$ 285**	$ 532
Investing activities	**159**	(74)
Financing activities	**(376)**	(178)

The certifying officers have determined there were no changes in the Company's ICFR that occurred during the nine months ended June 30, 2015 that have significantly affected, or are reasonably likely to significantly affect, the Company's ICFR.

NEW ACCOUNTING POLICIES

The following changes in accounting policies were implemented by the Company during the nine-month period ended June 30, 2015:

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 are 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 are effective for annual periods beginning on or after January 1, 2014.

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 are effective for annual periods beginning on or after January 1, 2014.

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 effective for annual reporting periods beginning on or after January 1, 2014.

The foregoing changes in accounting policy did not have an impact on the Company's consolidated financial statements.

FUTURE ACCOUNTING CHANGES

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, 2015, unless otherwise noted, with earlier adoption permitted. The Company has not yet assessed the impact of these new standards and amendments on its interim 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"). These amendments will be effective on the adoption of IFRS 9 described below.

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.

FINANCIAL INSTRUMENTS

Fair Value

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 interim consolidated balance sheet dates.

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

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

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as described above as at June 30, 2015 and September 30, 2014:

June 30, 2015

	Level 1	Level 2	Level 3	Total
Short-term investments	**$ 9,892**	**$ –**	**$ –**	**$ 9,892**
Marketable securities	**–**	**2,991**	**–**	**2,991**
	$ 9,892	**$ 2,991**	**$ –**	**$ 12,883**

September 30, 2014

	Level 1	Level 2	Level 3	Total
Short-term investments	$ 39,828	$ –	$ –	$ 39,828
Marketable securities	719	2,746	–	3,465
	$ 40,547	$ 2,746	$ –	$ 43,293

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of the financial condition and results of operations of the Company are based on the interim consolidated financial statements, which are prepared in accordance with IFRS. The preparation of interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the interim 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 values of the Company's 50%-owned investment properties, comprising an industrial/commercial rental building and a rental building leased to a fast food outlet, were determined internally using the "Overall Capitalization Rate Method." This method applies overall capitalization rates, as detailed in note 6, to stabilized net operating income and incorporates allowances for vacancy. Fair value at September 30, 2014 was determined by qualified external valuation professionals. 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. The valuations have been reviewed and approved by management.

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 interim 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

At June 30, 2015, the Company has available letters of credit totaling $82 (September 30, 2014 – $98) of which $82 (September 30, 2014 – $98) has been utilized in support of its obligation to complete servicing requirements in connection with various house building projects and an investment property.

The Company is contingently liable for its co-investors' share of the obligations in co-tenancy developments. At June 30, 2015, the Company's co-investors' share of obligations of such entities comprises liabilities of $847 (September 30, 2014 – $987) and letters of credit of $90 (September 30, 2014 – $129) in support of obligations to complete servicing requirements in connection with various house building projects and an investment property. In each case, assets of the co-tenancy developments, consisting primarily of cash and cash equivalents, are available to satisfy such obligations.

OUTLOOK

The Company's remaining real estate holdings consist of the investment properties and residential lot described above under "ASSETS AND LIABILITIES." 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.

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

CORPORATE DIRECTORY

DIRECTORS

Rudolph Bratty**
President
Ruland Realty 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

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Symbol: CXA.B

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