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 15, 2015

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, 2015 and September 30, 2014 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, 2015 and September 30, 2014 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 2015	September 30 2014
ASSETS		
Non-current assets		
Investment properties (note 7)	$ 11,578	$ 10,488
Amounts receivable (note 10)	1,128	1,087
Tenant inducements (note 11)	333	355
	13,039	11,930
Current assets		
Cash and cash equivalents (note 9(a))	1,649	1,709
Restricted cash (note 9(b))	16	98
Amounts receivable (note 10)	59	66
Investment in syndicated mortgage loans (note 12(a))	22	527
Short-term investments (note 12(b))	9,891	39,828
Marketable securities (note 12(c))	2,729	3,465
Income taxes recoverable	49	—
Tenant inducements (note 11)	22	22
Other	39	94
	14,476	45,809
	$ 27,515	$ 57,739
LIABILITIES		
Non-current liabilities		
Loan payable (note 13)	$ 2,908	$ 3,343
Accounts payable and accrued liabilities	18	44
Deferred income taxes (note 14)	1,356	1,385
	4,282	4,772
Current liabilities		
Loan payable (note 13)	237	237
Accounts payable and accrued liabilities (note 20)	597	795
Income taxes payable	—	12
	834	1,044
	5,116	5,816
SHAREHOLDERS' EQUITY		
Capital stock (note 15)	35,890	35,890
Retained earnings (deficit)	(14,809)	14,692
Accumulated other comprehensive income	1,318	1,341
	22,399	51,923
	$ 27,515	$ 57,739

Contingencies and commitments (note 23)

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

Approved by the Board of Directors

Director

Director

Years ended September 30 (in thousands of Canadian dollars, except share and per share amounts)	2015	2014
Housing revenue	$ —	$ —
Housing cost of sales (note 8)	45	36
Gross loss on housing	(45)	(36)
Investment property revenue (note 20)	1,022	874
Investment property operating expenses (note 20)	319	244
Net rental income	703	630
Other income (expenses)		
General and administrative (notes 20 and 21)	(895)	(883)
Interest and other income	550	903
Interest expense	(133)	(149)
Amortization of leasing costs	(11)	(11)
Fair value gain (loss) on investment properties (note 7)	1,212	(597)
	723	(737)
Earnings (loss) before income taxes	1,381	(143)
Provision for income taxes (note 14)	18	25
Net earnings (loss) for the year	$ 1,363	$ (168)
Basic and diluted earnings (loss) per share	$ 0.07	$ (0.01)
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 (deficit)	Accumulated other comprehensive income	Total equity
Balance – October 1,2013	$ 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
Net earnings for the year	—	1,363	—	1,363
Other comprehensive loss	—	—	(16)	(16)
Dividends paid (note 22)	—	(30,864)	—	(30,864)
Amounts reclassified to consolidated statement of operations	—	—	(7)	(7)
Balance – September 30, 2015	$ 35,890	$ (14,809)	$ 1,318	$ 22,399

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)	2015	2014
Net earnings (loss) for the year	$ 1,363	$ (168)
Other comprehensive income (loss), net of income taxes, which will recycle through profit		
Unrealized gains (losses) arising during the year on available-for-sale financial assets	(16)	615
Amounts reclassified to consolidated statement of operations	(7)	—
Comprehensive income for the year	$ 1,340	$ 447

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

Years ended September 30 (in thousands of Canadian dollars)	2015	2014
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net earnings (loss) for the year	$ 1,363	$ (168)
Add (deduct) non-cash items (note 19(a))	(1,208)	732
Leasing costs incurred	(11)	(27)
Changes in non-cash operating balances (note 19(b))	(215)	381
	(71)	918
INVESTING ACTIVITIES		
Investment property		
Additions	(73)	(364)
Expropriation proceeds	195	—
Investment in syndicated mortgage loans		
Advances	—	(540)
Sales or maturities	501	1,257
Marketable securities		
Purchases	(100,819)	(149,725)
Sales or maturities	131,426	147,232
Restricted cash	82	86
	31,312	(2,054)
FINANCING ACTIVITIES		
Dividends paid (note 22)	(30,864)	—
Repayments of mortgage loan on an investment property	(437)	(237)
	(31,301)	(237)
Decrease in cash and cash equivalents during the year	(60)	(1,373)
Cash and cash equivalents, beginning of the year (note 9)	1,709	3,082
Cash and cash equivalents, end of the year (note 9)	$ 1,649	$ 1,709

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 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 consolidated financial statements on December 15, 2015.

2. BASIS OF PRESENTATION 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, 2015.

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, 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 policies did not have an impact on the Company's consolidated financial statements.

(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 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.

Loan 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.

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.

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 consolidated 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 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) Fair Value of Investment Properties

The fair value of the Company's 50%-owned investment properties was determined by qualified external valuation professionals as at September 30, 2015 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.

(b) 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, 2015, with earlier adoption permitted. The Company has not yet assessed the impact of these new standards and 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"). 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 profit or loss. 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.

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		Earnings (Loss)	
	2015	2014	2015	2014
Investment properties	$ 1,041	$ 874	$ 1,790	$ (127)
Residential construction	6	2	(39)	(34)
Syndicated mortgage loans	9	300	9	300
Unallocated amounts:				
Interest income	516	601	516	601
	$ 1,572	$ 1,777		
General and administrative expenses			(895)	(883)
Provision for income taxes			(18)	(25)
Net earnings (loss) for the year			$ 1,363	$ (168)

Identifiable assets	Investment properties	Residential construction	Syndicated mortgage loans	Unallocated corporate assets	Total assets
September 30, 2015	$ 12,399	$ 1,667	$ 22	$ 13,427	$ 27,515
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
September 30, 2015	$ 3,277	$ 180	$ —	$ 1,659	$ 5,116
September 30, 2014	$ 3,937	$ 174	$ —	$ 1,705	$ 5,816

Capital expenditures in the investment properties segment for the year ended September 30, 2015 amounted to $84 (2014 – $391).

7. INVESTMENT PROPERTIES

		2015		2014
Balance, beginning of the year	$	10,488	$	10,705
Amortization of leasing costs		(11)		(11)
Additions		73		364
Expropriation proceeds		(195)		—
Fair value adjustment		1,212		(597)
Leasing costs incurred		11		27
Balance, end of the year	$	11,578	$	10,488

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.

The basis of valuation of the Company's 50% owned investment properties is set out in note 4(a). 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:

		2015			2014	
Capitalization rate	Minimum	Maximum	Applied	Minimum	Maximum	Applied
Industrial/commercial building	7.25%	7.75%	7.5%	7.75%	8.25%	8.0%
Fast food outlet	3.8%	5.9%	5.25%	4.9%	6.1%	5.75%

Stabilized net operating income – at 100%	2015	2014
Industrial/commercial building	$ 1,657	$ 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 $317 (September 30, 2014 – $265) 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 $355 (2014 – $377) 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 $10,453 (September 30, 2014 – $9,605), 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 years ended September 30, 2015 and 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:

	2015	2014
Cash	$ 874	$ 1,004
Term deposits	775	705
Total cash and cash equivalents	$ 1,649	$ 1,709

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 $904 (September 30, 2014 – $1,792).

(b) Restricted cash is as follows:

	2015	2014
Total restricted cash	$ 16	$ 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 $16 (2014 – $98).

10. AMOUNTS RECEIVABLE

		2015		2014
Straight-line rent receivable	$	317	$	265
Other receivables (a)		870		888
	$	1,187	$	1,153
Non-current	$	1,128	$	1,087
Current		59		66
	$	1,187	$	1,153

(a) Other receivables include $831 (2014 – $831) 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, 2015 and 2014.

11. TENANT INDUCEMENTS

		2015		2014
Tenant inducements	$	432	$	432
Less: Accumulated amortization		(77)		(55)
	$	355	$	377
Non-current	$	333	$	355
Current		22		22
	$	355	$	377

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

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

At September 30, 2015, the Company's last remaining syndicated mortgage loan relates to a project in southern Ontario outside the Greater Toronto Area. The loan can be repaid by the borrowers prior to maturity and is due in 2016.

		2015		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 year-end weighted average rate of 0.9% (2014 – 1.4%)	$	9,891	$	39,828

		2015		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 (2014 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, to yield 6.25%, matured December 31, 2014 (2014 cost – $19)		—		12
52,840.03 B/1 shares York Select Unit Trust (cost – US$1,000; fair value US$2,038; 2014 – fair value – US$2,450)		2,729		2,746
	$	2,729	$	3,465

13. LOAN PAYABLE

The loan is as follows:

		2015		2014
Secured by an investment property, net of deferred financing fees of $22 (September 30, 2014 – $24)	$	3,145	$	3,580

Principal repayments on loan payable are due as follows:

Years ending September 30,	2016	$	237
	2017		237
	2018		237
	2019		237
	2020		237
	Thereafter		1,982
			3,167
	Less: Deferred financing fees		22
		$	3,145

The estimated fair value of the loan payable at September 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. The loan bears interest at the Business Development Bank of Canada's Base rate for commercial and industrial loans minus 1%, or 3.70% (2014 – 4%). 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:

	2015	2014
Current	$ 43	$ 63
Deferred	(25)	(38)
Provision for income taxes	18	25
Income tax provision (recovery) on other comprehensive income included in deferred income taxes	(4)	94
	$ 14	$ 119

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:

	2015	2014
Expected income tax at 26.5% (2014 – 26.5%)	$ 366	$ (38)
Fair value gains on investment properties taxed at lower than statutory rates	(352)	(29)
Other	4	92
	(348)	63
Income tax provision in earnings	18	25
Income tax provision (recovery) in other comprehensive income	(4)	94
	$ 14	$ 119

c) Deferred income taxes relate to:

	2015	2014
Temporary differences:		
Capital cost allowance in excess of accounting amortization booked	$ 361	$ 400
Costs capitalized for accounting, deducted for income tax	158	258
Unrealized gain on investment properties	552	451
Mortgage reserves and discounts on amounts receivable	84	71
Other comprehensive income	201	205
	$ 1,356	$ 1,385
Comprise:		
Deferred income tax liabilities reversing after more than 12 months	$ 1,307	$ 1,344
Deferred income tax liabilities reversing within 12 months	49	41
	$ 1,356	$ 1,385

15. CAPITAL STOCK

AUTHORIZED

Unlimited Class B, voting shares, without par value

Details of issued capital stock, unchanged since October 1, 2013, are as follows:

	Number of shares	Amount
Balance, September 30, 2015 and 2014	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, 2015 and September 30, 2014:

September 30, 2015	Level 1	Level 2	Level 3	Total
Short-term investments	$ 9,891	$ —	$ —	$ 9,891
Marketable securities	—	2,729	—	2,729
	$ 9,891	$ 2,729	$ —	$ 12,620

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

Year ended September 30, 2015		Interest rate risk			
		-1%		+1%	
Increase (decrease)	Carrying value	Net earnings	Equity	Net earnings	Equity
Financial assets					
Cash and cash equivalents	$ 1,649	$ (12)	$ (12)	$ 12	$ 12
Financial liabilities					
Mortgage payable	3,145	23	23	(23)	(23)
Total increase (decrease)		$ 11	$ 11	$ (11)	$ (11)

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	719	—	148	—	(100)
Financial liabilities					
Mortgage payable	3,580	27	27	(27)	(27)
Total increase (decrease)		$ 14	$ 162	$ (14)	$ (114)

Credit 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. Such risk to the Company was minimal during 2014 and 2015 considering the size of its syndicated mortgage loan portfolio and ceased to be a factor subsequent to 2015 with the repayment of the last outstanding loan.

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, 2015 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)	$ 3,950	$ 351	$ 675	$ 640	$ 2,284
Accounts payable and accrued liabilities	615	597	18	—	—
Liabilities and other contractual obligations	$ 4,565	$ 948	$ 693	$ 640	$ 2,284

(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:

- 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, 2015; 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, 2015, the Company has available letters of credit totaling $16 (September 30, 2014 – $98) of which $16 (September 30, 2014 – $98) 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, 2015, the Company's co-investors' share of obligations of such entities comprises liabilities of $808 (September 30, 2014 – $987) and letters of credit of $24 (September 30, 2014 – $129) 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%.

	2015	2014
Assets	$ 14,066	$ 13,073
Liabilities	3,457	4,111
	$ 10,609	$ 8,962
Revenue	$ 1,047	$ 876
Expenses	(508)	(440)
Fair value (loss) gain on investment properties	1,212	(597)
Earnings (loss)	$ 1,751	$ (161)
Cash provided by (used in)		
Operating activities	$ 420	$ 790
Investing activities	59	(278)
Financing activities	(437)	(237)

19. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2015	2014
Deferred income taxes	$ (25)	$ (38)
Amortization of leasing costs	11	11
Amortization of deferred financing costs	2	2
Amortization of tenant inducements	22	22
Accrued interest receivable	43	157
Straight-line rent receivable	(49)	(19)
Fair value (gain) loss on investment properties	(1,212)	597
	$ (1,208)	$ 732

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

	2015	2014
Amounts receivable	$ 15	$ 187
Accounts payable and accrued liabilities	(224)	(251)
Income tax payable (recoverable)	(61)	457
Other	55	(12)
	$ (215)	$ 381

(c) Supplementary information consists of the following:

	2015	2014
Interest paid	$ 133	$ 149
Income taxes paid	$ 108	$ 103

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:

	2015	2014
Management fee expense	$ 282	$ 281
Rental income	$ 167	$ 164

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

	2015	2014
Accounts payable and accrued liabilities	$ 250	$ 250

Key Management Compensation

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

	2015	2014
Salaries and employee benefits	$ 180	$ 175
Management fees	250	250
Directors' fees	56	56
Total	$ 486	$ 481

21. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

Expenses incurred by nature are as follows:

	2015	2014
Salaries, employee benefits and directors' fees	$ 323	$ 314
Management fees	250	250
Professional fees	177	179
Other	145	140
	$ 895	$ 883

22. DIVIDENDS

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.

23. CONTINGENCIES AND COMMITMENTS

As security for the Company's letter of credit facilities of $16 (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 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.