Condensed consolidated interim financial statements - Unaudited

March 31, 2016

STREET CAPITAL GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2016 AND DECEMBER 31, 2015
(In thousands of Canadian dollars) Unaudited

	Notes	March 31, 2016	December 31, 2015
		$	$
Assets			
Cash and cash equivalents	4	**7,836**	8,846
Restricted cash	4	**13,726**	13,078
Non-securitized mortgage loans	5	**5,251**	16,741
Securitized mortgage loans	6	**164,408**	167,762
Deferred placement fees receivable	7	**46,328**	46,442
Prepaid portfolio insurance	8	**68,138**	66,672
Portfolio investments	10	**5,160**	13,506
Deferred income tax assets	15	**13,975**	14,135
Other assets	11	**17,329**	13,333
Intangible assets	9	**5,213**	5,399
Goodwill	9	**23,465**	23,465
		370,829	389,379
Assets of discontinued operations	23	**1,246**	1,338
Total assets		**372,075**	390,717
Liabilities			
Bank facilities	12	**12,049**	15,817
Loans payable	13	**6,795**	8,972
Securitization liabilities	6	**163,028**	167,380
Accounts payable and accrued liabilities	14	**31,221**	37,763
Deferred income tax liabilities	15	**38,201**	37,250
		251,294	267,182
Liabilities of discontinued operations	23	**1,166**	1,166
Total liabilities		**252,460**	268,348
Shareholders' equity			
Capital stock	18	**243,782**	242,178
Contributed surplus		**60,946**	61,800
Retained earnings (deficit)		**(182,730)**	(185,733)
Total shareholders' equity		**121,998**	118,245
Non-controlling interest	10	**(2,383)**	4,124
Total equity		**119,615**	122,369
Total liabilities and equity		**372,075**	390,717
Commitments and contingencies	17		

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

STREET CAPITAL GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In thousands of Canadian dollars, except per share data) Unaudited

		Three months ended March 31,	
	Notes	**2016**	2015
		$	
Revenue			
Gain on sale of mortgages		**26,883**	31,121
Acquistion costs		**(14,286)**	(16,877)
Net gain on sale of mortgages	7	**12,597**	14,244
Net interest and other income (expense)	16	**628**	(106)
Total revenue		**13,225**	14,138
Expenses			
Salaries and benefits		**6,738**	6,936
Selling, general and admininstrative expenses		**3,147**	3,040
Restructuring costs	2	**(813)**	-
Total expenses		**9,072**	9,976
Income before fair value adjustments		**4,153**	4,162
Fair value adjustments	10	**(352)**	(2,710)
Income before income taxes and discontinued operations		**3,801**	1,452
Income taxes	15	**1,111**	857
Income from continuing operations		**2,690**	595
Income from discontinued operations	23	**9**	8
Net income and comprehensive income		**2,699**	603
Net loss and comprehensive loss attributable to non-controlling interest	10	**(304)**	(3,147)
Net income and comprehensive income attributable to shareholders		**3,003**	3,750
Basic and diluted earnings per share			
Continuing operations	19	**0.02**	0.04
Discontinued operations		**0.00**	0.00
Basic and diluted earnings per share		**0.02**	0.04
Weighted average number of common shares outstanding (in thousands) - basic and diluted		**121,824**	99,817

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

STREET CAPITAL GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In thousands of Canadian dollars) Unaudited

	Attributable to shareholders of the Company					
	Share capital (Note 18)	Contributed surplus	Retained earnings (deficit)	Total shareholders' equity	Non-controlling interest	Total equity
	$	$	$	$	$	$
Balance - December 31, 2014	**204,263**	**62,311**	**(155,698)**	**110,876**	**20,677**	**131,553**
Comprehensive income	-	-	3,750	3,750	(3,147)	603
Exercise of stock options	324	-	-	324	-	324
Share-based compensation	-	74	-	74	-	74
Net reduction in non-controlling interest investment	-	-	-	-	(9,964)	(9,964)
Balance - March 31, 2015	**204,587**	**62,385**	**(151,948)**	**115,024**	**7,566**	**122,590**
Balance - December 31, 2015	**242,178**	**61,800**	**(185,733)**	**118,245**	**4,124**	**122,369**
Comprehensive income	**-**	**-**	**3,003**	**3,003**	**(304)**	**2,699**
Cancellation of shares related to NCIB	**(16)**	**6**	**-**	**(10)**	**-**	**(10)**
Exercise of stock options and conversion of deferred share units	**1,115**	**(930)**	**-**	**185**	**-**	**185**
Share-based compensation	**-**	**70**	**-**	**70**	**-**	**70**
Repayment of shareholder loan	**505**			**505**	**-**	**505**
Net reduction in non-controlling interest investment	**-**	**-**	**-**	**-**	**(6,203)**	**(6,203)**
Balance - March 31, 2016	**243,782**	**60,946**	**(182,730)**	**121,998**	**(2,383)**	**119,615**

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

STREET CAPITAL GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In thousands of Canadian dollars) Unaudited

	Notes	March 31, 2016	March 31, 2015
		$	$
Operating activities			
Comprehensive income from continuing operations		**2,690**	595
Non-cash items			
Deferred income taxes		**1,111**	857
Foreign exchange on loans payable		**(205)**	256
Depreciation and amortization		**439**	363
Fair value adjustments		**352**	3,029
Share based compensation		**70**	74
Changes in operating assets and liabilities			
Increase decrease in restricted cash		**(648)**	(7,933)
Increase in securitized mortgage loans		**3,354**	1,635
(Increase) decrease in non-securitized mortgage loans		**11,490**	(722)
(Increase) decrease in deferred placement fees receivable		**114**	(844)
Increase in prepaid portfolio insurance		**(1,466)**	(4,043)
Increase in other assets		**(3,608)**	(618)
Decrease in bank facilities		**(3,768)**	(873)
Decrease in securitization liabilities		**(4,352)**	(2,063)
Decrease in restructuring accruals	2	**(2,917)**	-
Decrease in private equity distributions payable		**(114)**	(16,933)
Increase (decrease) in other accounts payable and accrued liablities		**(3,511)**	11,476
Cash used in continuing operations		**(969)**	(15,744)
Cash provided by discontinued operations		**101**	-
Cash used in operating activities		**(868)**	(15,744)
Investing activities			
Net distributions from portfolio investments		**1,562**	4,490
Purchase of capital assets		**(376)**	(155)
Purchase of intangible assets		**(36)**	83
Cash provided by investing activities		**1,150**	4,418
Financing activities			
Repayments of loans payable		**(1,972)**	-
Settlement of share purchase loan		**505**	-
Common shares purchased for cancellation		**(10)**	-
Exercise of stock options		**185**	324
Cash provided by (used in) financing activities		**(1,292)**	324
Decrease in cash and cash equivalents		**(1,010)**	(11,002)
Cash and cash equivalents - beginning of period		**8,846**	23,022
Cash and cash equivalents - end of period		**7,836**	12,020
Supplementary information			
Cash paid (received) during the year			
Interest received		**(1,191)**	(567)
Interest paid		**1,234**	1,167
Income taxes		**(11)**	-
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(10)**	1,571

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

(In thousands of Canadian dollars, except per share data, or where specified) Unaudited

1. General information

Street Capital Group Inc. ("Street Capital" or "the Company") is a public corporation traded on the Toronto Stock Exchange under the ticker symbol "SCB". The Company was incorporated in the province of Ontario in 1979. The address of its registered office is 1 Toronto Street, Suite 700, P.O. Box 3, Toronto, Ontario, M5C 2V6. On June 23, 2015 the Company's name was changed to Street Capital Group Inc. from Counsel Corporation (see Note 2 – *Corporate realignment and restructuring charges*, below).

The Company operates principally as a mortgage lending business through its subsidiary, Street Capital Financial Corporation ("Street Capital Financial"), a Canadian residential mortgage lender that was founded in 2007 and acquired by the Company on May 31, 2011. In the first quarter of 2013, the Company discontinued its non-core operating businesses, and consequently Street Capital Financial is now the Company's sole operating business.

The Company also controls a private equity business ("Private Equity") through a wholly owned subsidiary, Knight's Bridge Capital Partners Inc. ("Knight's Bridge"). Knight's Bridge is responsible for managing a private equity investment fund ("KBCP Fund I"), the legal entity that holds the Company's Private Equity portfolio investments. KBCP Fund I was founded in 2008 and is in the process of being liquidated. The Company is a Limited Partner ("LP") of KBCP Fund I and holds approximately 16% of its units.

The Company's principal subsidiaries and its respective ownership interest in each subsidiary as at March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
Street Capital Financial Corporation	**100%**	100%
Knight's Bridge Capital Partners Inc.	**100%**	100%

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on May 10, 2016.

2. Corporate realignment and restructuring charges

During the second quarter of 2015, as part of the Company's transition from operating multiple businesses in diverse markets to becoming a focused financial services company, and in alignment with the Company's goal to strengthen its capital position and flexibility as it makes this transition, the Company made significant changes to its organizational structure.

On June 23, 2015, in exchange for 20 million common shares of the Company and $2,900 in cash, the Company purchased, from certain members of Street Capital Financial's management, all of the issued and outstanding Class C shares of Street Capital Financial. Subject to the occurrence of certain events, the vendors of the Class C shares agreed not to transfer or sell the common shares issued to them except that i) 25% of such shares may be transferred on or after June 1, 2017; ii) 50% of such shares may be transferred on or after June 1, 2018; and iii) 100% of such shares may be transferred on or after June 1, 2019. As part of the exchange of the Class C shares of Street Capital Financial for common shares of the Company, a contingent liability attached to the Class C shares could be reliably measured, and both it and potential earn-out payments attached to the Class C shares were extinguished. This resulted in restructuring charges during the second quarter of 2015.

The issuance of common shares, the extinguishment of the contingent liability, and additional reorganization expenses relating to severance payments and legal costs were recognized as charges to income in the second quarter of 2015. These were recorded as restructuring expenses on the condensed consolidated interim statements of comprehensive income, as shown below:

	June 30, 2015
Issuance of 20 million common shares of Street Capital Group Inc. (1)	$ 36,300
Cash consideration	2,919
Settlement of contingent liability	(955)
Cost to extinguish contingent liability	38,264
Restructuring costs and severance	11,976
Total restructuring costs	$ 50,240

(1) Calculated at $2.42 per share , which was the market closing stock price on June 23, 2015, less a 25% discount reflecting the sale restrictions on the shares issued.

At March 31, 2016, the remaining accrued balance of restructuring costs and severance is $8,228 (December 31, 2015 - $11,145). Certain costs that were estimated at the date of the restructuring were settled in the first quarter of 2016, leading to a reduction in restructuring costs of $813.

3. Accounting policies used to prepare the unaudited condensed consolidated interim financial statements

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (the "IASB").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at, and for the year ended, December 31, 2015, as set out in the annual report on pages 53 to 94. The audited consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for publically accountable enterprises, which are International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies the Company applied in its annual audited consolidated financial statements as at, and for the year ended, December 31, 2015 are disclosed in Note 3 of those financial statements, to which reference should be made in reading these unaudited condensed consolidated interim financial statements.

Critical accounting estimates, assumptions and judgments

The preparation of unaudited condensed consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgments that in some cases relate to matters that are inherently uncertain, and that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities, in the consolidated financial statements and accompanying notes. Key areas of such judgment and estimation are: allowance for credit losses, valuations of receivables (i.e. duration factors on deferred placement fees receivable), the useful life and residual value of certain assets including prepaid portfolio insurance, intangibles and goodwill, portfolio investments, provisions, and accounting for deferred income taxes. Actual results may differ from these estimates.

Allowance for credit losses represents management's best estimate of losses incurred in our loan portfolio at the date of the consolidated statement of financial position, and requires management's judgment in making assumptions and estimations. Given the Company's very limited exposure to uninsured assets, the allowance is not material. The determination of the Company's deferred tax asset or liability requires significant management judgment, as the recognition is dependent on management's projection of future taxable profits and tax rates expected to be in effect in the period in which the asset is realized or the liability settled.

The fair values of portfolio investments that are not quoted in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The inputs in the earnings multiples models include primarily unobservable data, such as forecast earnings for the portfolio company. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premiums for liquidity and credit risk that are incorporated into the discount rate.

Critical judgments include the determination of amortization periods for prepaid portfolio insurance and intangible assets.

Future changes in accounting policies

IAS 1 – Presentation of Financial Statements In December 2014, the IASB issued amendments to *IAS 1 – Presentation of Financial Statements*, which clarifies judgments that management can make with respect to the presentation of information in an entity's financial reporting. The amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted. Based on the Company's assessment of the impact of the amendments on its unaudited condensed consolidated interim financial statements at March 31, 2016, it is not expected that they will result in material changes to the Company's audited consolidated financial statements.

IFRS 9 – Financial Instruments In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9"), which replaces *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Upon adoption of IFRS 9, the Company will also be required to adopt amendments to *IFRS 7 – Financial Instruments: Disclosures*, which will require more extensive disclosures relating to such areas as classification, impairment and hedge accounting. The Company's assessment of the impact of the new standard and the amendments on its results of operations, financial position and disclosures is in progress.

IFRS 15 – Revenue From Contracts with Customers In May 2014 the IASB issued *IFRS 15 – Revenue From Contracts with Customers* ("IFRS 15"), which supersedes all current revenue recognition requirements under IFRS. The standard establishes a single, five-step, structured model for recognizing revenue from contracts with customers. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company's assessment of the impact of the new standard on its results of operations, financial position and disclosures is in progress.

IFRS 16 – Leases In January 2016 the IASB issued *IFRS 16 – Leases ("IFRS 16")*, which supersedes *IAS 17 - Leases* and its interpretive guidance. The standard applies a control model to the identification of leases, and distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The most significant changes are to lessee accounting, since the standard removes the distinction between operating and finance leases, and requires assets and liabilities to be recognized for all leases, with limited exceptions. The standard does not significantly change the accounting by lessors. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that have also adopted IFRS 15. The Company's assessment of the impact of the new standard on its results of operations, financial position and disclosures is in progress. Implementation of IFRS 16 may result in changes to the consolidated statements of financial position in the form of right of use assets and associated lease obligations.

4. Cash and cash equivalents, and restricted cash

The Company had the following cash and cash equivalents, and restricted cash, as at March 31, 2016 and December 31, 2015:

		March 31, 2016		December 31, 2015
Deposits with regulated financial institutions	$	**7,836**	$	8,846
Cash and cash equivalents	$	**7,836**	$	8,846
Restricted cash - servicing	$	**12,239**	$	10,114
Restricted cash - securitization		**1,487**		2,964
Total restricted cash	$	**13,726**	$	13,078

Restricted cash - servicing represents mortgage loan repayments collected on behalf of a third party investor. **Restricted cash - securitization** represents cash collected that has not yet been allocated to securitization liabilities, and accrued interest from mortgage loan repayments collected in connection with securitization activities.

5. Non-securitized mortgage loans

Non-securitized mortgage loans are primarily made up of either mortgages intended for whole loan sales to various purchasers, insured mortgages awaiting securitization and sale through the NHA MBS program, or bridge loans, with any remaining amounts consisting of mortgages or loans that the Company intends to hold until maturity. As at March 31, 2016, the majority of the non-securitized mortgages and loans consisted of bridge loans. Approximately $13,500 of mortgage loans were held for sale at December 31, 2015, and approximately $12,600 of these were part of the Company's whole loan sales during the first quarter of 2016.

Mortgage loans carry interest rates ranging from 2.3% to 7.7% with maturities up to 5 years (at December 31, 2015 – 1.9% to 7.7% with maturities up to 5 years), as shown below:

		Within 1 Year		1 -3 Years		3 -5 Years		March 31, 2016 Total book value		December 31, 2015 Total book value
Maturities	$	**4,329**	$	**605**	$	**317**	$	**5,251**	$	16,741

6. Securitization activity

The Company securitizes insured single-family residential mortgage loans by participating in the NHA MBS program. Through the program, the Company issues securities backed by residential mortgage loans that are insured against borrowers' default (MBS). Following securitization of the mortgage loans, the Company assigns the underlying mortgages to CMHC and sells the related MBS to the investors. As the issuer of the MBS, the Company is responsible for advancing all scheduled principal and MBS interest payments to CMHC, whether or not the amounts have been collected on the underlying transferred mortgages. Amounts advanced but not recovered are ultimately expected to be recovered from the insurer.

The Company retains certain prepayment and/or interest rate risks and rewards related to the transferred mortgages. Due to retention of these risks and rewards, transferred mortgages are not derecognized and the securitization proceeds are accounted for as secured borrowing transactions. There are no expected credit losses on the securitized mortgage assets as the mortgages are insured against default, and therefore the Company has not recorded a provision for credit losses. Insured mortgages are considered impaired when they are more than 365 days in arrears. At March 31, 2016 and December 31, 2015, none of the transferred mortgages were 365 or more days in arrears.

The gross carrying amounts of mortgages and related assets assigned in securitization transactions are recorded on the consolidated statements of financial position as securitized mortgage loans. Deferred securitized mortgage acquisition costs are directly attributable to the acquisition of securitized mortgage loans and are amortized into income using the effective interest rate method.

NHA MBS securitization liabilities are repaid on a monthly basis as the securitized loans principal and interest payments are collected. Accrued interest on securitization liabilities is recorded in securitization liabilities on the consolidated statements of financial position and is based on the underlying MBS coupon. Premiums, discounts and transaction costs from the issuance of NHA MBS securities are amortized through interest expense using the effective interest rate method.

The table below presents the carrying amounts of the securitized mortgages and the corresponding liabilities:

				March 31, 2016
		Carrying amount of securitized mortgage loans		**Carrying amount of securitization liabilities**
Securitized mortgage loans	**$**	**161,326**	**$**	**162,478**
Deferred securitized mortgage acquisition costs		**3,082**		**-**
Deferred transaction costs		**-**		**550**
	$	**164,408**	**$**	**163,028**

				December 31, 2015
		Carrying amount of securitized mortgage loans		Carrying amount of securitization liabilities
Securitized mortgage loans	$	164,451	$	166,766
Deferred securitized mortgage acquisition costs		3,311		-
Deferred transaction costs		-		614
	$	167,762	$	167,380

The table below presents the expected principal repayments to be received with respect to the Company's securitized mortgage loans receivable:

								March 31, 2016
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Projected repayments	**$**	**19,371**	**$**	**64,294**	**$**	**77,465**	**$**	**161,130**

								December 31, 2015
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Projected repayments	**$**	**19,398**	**$**	**59,002**	**$**	**85,852**	**$**	**164,252**

The principal amount of NHA MBS securitization liabilities are estimated to be paid as follows:

				March 31, 2016
	Within 1 Year	1 -3 Years	3 -5 Years	Total
Projected payments	$ 20,473	$ 64,294	$ 77,465	$ 162,232

				December 31, 2015
	Within 1 Year	1 -3 Years	3 -5 Years	Total
Projected payments	$ 21,660	$ 59,002	$ 85,852	$ 166,514

Securitization liabilities include $1,487 (December 31, 2015 - $2,964) that has been collected from the securitized mortgages but not yet paid to the MBS holders to settle securitization liabilities.

7. Mortgage sale activity

Gain on sale of mortgages and deferred placement fees receivable

The Company originates mortgages, the majority of which are sold to institutional investors, who assume the contractual right to receive the associated mortgage cash flows. Since the Company has transferred substantially all the risks and rewards of ownership of these mortgages, they are removed from the consolidated statements of financial position, and the Company recognizes income from multiple sources:

- a cash premium;
- a servicing fee that is received over the remaining life of the mortgage;
- in some cases, an excess spread over the remaining life of the mortgage;
- accrued interest.

The present value of (i) the difference between the servicing fee and fair value of servicing, and (ii) the excess spread, is recorded as gain on sale of mortgages on the consolidated statements of comprehensive income and as deferred placement fees receivable on the consolidated statements of financial position. As well, in some cases an excess interest rate spread is received over the remaining term of the mortgage. The present value of the excess interest rate spread, calculated based on a duration factor of the underlying mortgage sold, is recognized as gain on sale of mortgages in the consolidated statements of comprehensive income, and a resulting deferred placement fee receivable is recognized in the consolidated statements of financial position.

The table below presents the mortgages sold and the associated gain on sale for the three months ended March 31:

	Three months ended March 31,	
	2016	2015
Mortgages sold	$ 1,518,423	$ 1,617,090
Cash premium at sale	$ 22,921	$ 26,855
Deferred gain on sale	3,962	4,266
Acquisition costs	(14,286)	(16,877)
Net gain on sale of mortgages	$ 12,597	$ 14,244
% Gain	0.83%	0.88%

The difference between the cash collected and the amortization of the deferred placement fees receivable is recognized as income or loss in the consolidated statements of comprehensive income through net interest and other income. The net deferred placement fees at March 31, 2016 and December 31, 2015 are shown below:

	March 31, 2016			December 31, 2015		
	Capitalized at sale	Accumulated amortization	Net book value	Capitalized at sale	Accumulated amortization	Net book value
Deferred placement fees receivable	$ 106,888	$ 60,560	$ 46,328	$ 102,897	$ 56,455	$ 46,442

Mortgages under administration

In accordance with respective agreements with third party mortgage servicers, the Company administers mortgages purchased by third parties. As at March 31, 2016, total mortgages under administration, including mortgages sold to third parties, amounted to $25.02 billion (December 31, 2015 - $24.75 billion).

8. Prepaid portfolio insurance

Prepaid portfolio insurance is amortized into income over a maximum period of 15 years, using a declining balance method that estimates the pattern of consumption based on management's assumptions about prepayments and renewals.

For portfolio mortgage insurance purchased prior to May 14, 2015, the Company was entitled to substitute prepaid mortgage amounts with another mortgage of equal value at no additional cost. The substitution period varied, by insurer, from 5 to 25 years. When estimating the pattern of amortization for portfolio mortgage pools purchased prior to this date, assumptions included the substitution feature.

For portfolio mortgage insurance purchased after May 14, 2015 there are no substitutions permitted, except for replacements of loans to the same borrower. This has the effect of speeding up the pattern of amortization compared to pools with substitution eligibility, while maintaining the maximum 15-year amortization period. This change only applies to portfolio mortgage insurance purchased after May 14, 2015.

The net unamortized amount of prepaid portfolio insurance at March 31, 2016 and December 31, 2015 is shown below, together with a continuity schedule for the three months ending March 31, 2016 and December 31, 2015.

	March 31, 2016			December 31, 2015		
	Capitalized at purchase	Accumulated amortization	Net book value	Capitalized at purchase	Accumulated amortization	Net book value
Prepaid portfolio insurance	$ 86,712	$ 18,574	$ 68,138	$ 83,546	$ 16,874	$ 66,672

	March 31, 2016	December 31, 2015
Balance, beginning of period	$ 66,672	$ 64,776
Capitalized at purchase	3,166	3,566
Amortization during the period	(1,700)	(1,670)
Balance, end of period	$ 68,138	$ 66,672

As shown above, the expense associated with the amortization recognized during the three months ended March 31, 2016 was $1,700 (Q1 2015 - $1,201).

9. Intangible assets and goodwill

Intangible assets

At March 31, 2016, the Company has both acquired and internally generated intangible assets. The acquired intangible asset relates to the mortgage renewal stream associated with the Company's 2011 acquisition of Street Capital Financial. The internally generated intangible assets consist of internally developed systems and software. At March 31, 2016 and December 31, 2015, there were no external or internal indicators that required impairment testing of the assets.

Details of the Company's intangible assets are as follows:

	March 31, 2016	December 31, 2015
Acquired:		
Mortgage renewal stream	**$ 6,869**	$ 6,869
Accumulated amortization	**(2,385)**	(2,262)
	$ 4,484	$ 4,607
Internally developed:		
Systems and software	**$ 2,799**	$ 2,763
Accumulated amortization	**(2,070)**	(1,971)
	$ 729	$ 792
	$ 5,213	$ 5,399

Amortization expense for the mortgage renewal stream was $123 for the three months ended March 31, 2016 (Q1 2015 - $124). The amortization period of 15 years is based on historical renewal rates and industry benchmarks, and at March 31, 2016 the remaining amortization term was 10.25 years.

Amortization expense for the internally developed systems and software assets for the three months ended March 31, 2016, was $99 (Q1 2015 - $89). The amortization period of 5 years is based on their estimated useful life, and at March 31, 2016 the remaining amortization terms varied from 2.25 to 5 years. The amortization expense relating to intangible assets is reported in selling, general and administrative expenses in the consolidated statements of comprehensive income.

Goodwill

	March 31, 2016	December 31, 2015
Acquisition of Street Capital Financial Corporation	**$ 23,465**	$ 23,465

The Company's sole cash generating unit ("CGU") is Street Capital Financial, and therefore all of the acquired goodwill is assigned to Street Capital Financial. There were no indicators of impairment of goodwill at either March 31, 2016 or December 31, 2015.

10. Portfolio investments and non-controlling interest

Investments

The Company's portfolio investments, and its net interest in those investments, are shown below:

		March 31, 2016		December 31, 2015
Private Equity investments	**$**	**5,160**	$	13,506
Portfolio investments attributable to non-controlling interest		**(3,548)**		(10,343)
Portfolio investments attributable to shareholders	**$**	**1,612**	**$**	**3,163**

A reconciliation of the carrying amount of portfolio investments from December 31, 2014 to March 31, 2016 is set out below:

Balance at December 31, 2014	**$**	**40,010**
Fair value adjustments		(16,054)
Foreign exchange adjustments		4,005
Distributions		(14,455)
Balance at December 31, 2015	**$**	**13,506**
Fair value adjustments		78
Foreign exchange adjustments		(239)
Distributions		(8,185)
Balance at March 31, 2016	**$**	**5,160**

The Company's Private Equity business was established in 2008. Although the Company holds only approximately 16% of the Private Equity business, it controls and therefore consolidates this business, due to its ability to influence its management and investments. In addition to the preferred return and profit the Company earns as an LP, the Company is entitled to a carried interest of 20% of the total profits realized after the contributed capital and an 8% per annum preferred return on the capital have been returned to all LPs. To date, the Company has received approximately $6.5 million as its carried interest. The Company has also earned a 2% per annum management fee over the lifetime of the Private Equity business, based on committed and/or invested capital.

The Company began exiting from its Private Equity investments in 2013. By the end of 2015, it retained two investments, only one of which was material and for which an exit was pending. In January 2016, the management of this investment, a high-end apparel company, received shareholder approval of purchase and sale agreements that resulted in a portion of this investment being redeemed in cash, and the remainder converted into publicly traded common shares. The cash was distributed to the LPs and the general partner, and the Company received approximately $1.4 million following distribution of the remainder to the non-controlling interest. The Company anticipates that during the remainder of 2016 or in 2017 the common shares will be sold and similarly distributed.

Non-controlling interest

The net loss attributable to the non-controlling interest associated with the Private Equity business was $304 for the three months ended March 31, 2016 (three months ended March 31, 2015 - $2,870). The non-controlling interest in the Private Equity business amounts to $4,421 at March 31, 2016 (December 31, 2015 - $10,928).

The non-controlling interest associated with Fleetwood Fine Furniture LP was unchanged during the quarter ended March 31, 2016, remaining at $(6,804). During the three months ended March 31, 2015, a net loss of $277 was attributed.

11. Other assets

The Company's other assets consist of:

	March 31, 2016	December 31, 2015
Gain on sale receivable	$ 6,324	$ 2,902
Loans receivable (net of credit allowance)	3,791	3,947
Capital assets	4,434	4,373
Accounts receivable	1,179	881
Prepaid and other assets	1,601	1,230
	$ 17,329	$ 13,333

Gain on sale receivable represents amounts not yet received on mortgage sale activities. Loans receivable include loans made to companies held as portfolio investments, and a loan to a senior executive of the Company as discussed further in Note 24. Accounts receivable includes mortgage insurance receivables, trade receivables, and any other amounts receivable.

12. Bank facilities

	Maturity date	March 31, 2016	December 31, 2015
Revolving credit facility - Insured loans (i)	Demand	$ 500	$ 8,200
Revolving credit facility - Conventional insurable loans (i)	Demand	-	2,600
Revolving credit facility - Operating line (i)	Demand	11,549	5,017
		$ 12,049	$ 15,817

Details of bank facilities are as follows:

At March 31, 2016, the Company has a total credit facility of $165 million with a syndicate of Schedule I Canadian banks that is available in three tranches dependent on use of funds, with variable interest rates based on bankers' acceptance rates. Under the terms of the facility, the Company has $125 million available to fund a maximum of 98% of insured mortgage loans, and $25 million available to fund a maximum of 80% of conventional insurable mortgage loans, both of which must be on Canadian properties. Draws on the facility for funding mortgage loans are supported and secured by the underlying mortgages, and repaid from the proceeds of securitization and/or sale of the mortgage loans. An operating line of $15 million can be drawn at any time providing the Company has met certain affirmative and financial covenants. As at March 31, 2016, the Company has met all required covenants under the agreement. The entire credit facility is secured by a general security agreement.

13. Loans payable

Details of loans payable are as follows:

	Maturity date	March 31, 2016	December 31, 2015
Corporate loans	Jan 15/2017	$ 6,795	$ 7,472
Corporate loan	Demand	-	100
Corporate loans	Demand	-	1,400
		$ 6,795	$ 8,972

The loans bear interest at 6% and are not subject to security or covenants.

14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as shown below:

	March 31, 2016	December 31, 2015
Payment due to mortgage servicers	**$ 12,378**	$ 10,114
Accrued mortgage acquisition costs	**7,483**	8,626
Accrued restructuring costs	**8,228**	11,145
Accrued compensation	**1,271**	5,226
Private equity distributions payable	**-**	114
Other	**1,861**	2,538
	$ 31,221	$ 37,763

The accrued restructuring costs are related to the corporate realignment discussed in Note 2. Accrued compensation is significantly reduced compared to December 31, 2015 primarily due to the payment of annual bonuses during the quarter ended March 31, 2016.

15. Income taxes

For the three months ended March 31, 2016, the Company recognized a deferred income tax expense of $1,111. The deferred income tax expense is primarily due to earnings generated from the Company's residential mortgage lending business, which will be taxable in the future, and which will reduce available tax loss carry-forwards.

The $38,201 deferred income tax liability balance as at March 31, 2016 (December 31, 2015 - $37,250) reflects primarily the estimated tax liabilities from prior and current period earnings that are expected to be taxable in the future, net of available tax loss carry–forwards, the utilization of which is considered probable. The $13,975 deferred tax asset (December 31, 2015 - $14,135) primarily represents tax losses of the Street Capital Group Inc. separate legal entity.

The combined Canadian federal and provincial statutory tax rate used for March 31, 2016 is 26.50% (March 31, 2015 - 26.10%). The income tax expense provision differs from the computed statutory rate due to permanent non-deductible differences.

As at March 31, 2016 the Company had recognized approximately $306,918 (March 31, 2015 – approximately $286,909) in non-capital loss carry-forwards, which may be used to reduce future years' taxable income until 2035.

In addition, at March 31, 2016, the Company had approximately $80,940 (March 31, 2015 – approximately $24,042) of unrecognized capital losses that may be carried forward indefinitely. Substantially all of the Company's capital losses are unlikely to be utilized and accordingly these capital losses have not been recognized in the statements of financial position at the end of the period.

16. Net interest and other income

The table below details the breakdown of the Company's net interest and other income (loss):

	Three months ended March 31,			
		2016		2015
Interest income - mortgage lending	$	1,274	$	568
Interest expense - mortgage lending		(1,136)		(866)
Net interest income (loss) - mortgage lending	$	138	$	(298)
Servicing and fee income		223		358
Net other interest income (loss)		(261)		(180)
Other income (loss)		528		14
Credit provisions		-		-
	$	628	$	(106)

Interest income – mortgage lending primarily includes the interest the Company earns on mortgages it holds on-balance sheet where a mortgage has either been securitized by the Company through the NHA MBS program, or is held on-balance sheet prior to securitization or sale funding.

Interest expense – mortgage lending includes the interest expense from the securitization liabilities resulting from the issuance of NHA MBS to fund the securitized mortgages. The expense also includes interest expense on the credit facilities used to fund mortgages prior to take out funding.

Servicing and fee income is the net servicing fees and trailing interest spread earned by the Company, and represents the difference between the cash received by the Company and the amortization of the deferred placement fees. The amount realized is dependent both on the size of the portfolio and the extent to which actual experience differs from the assumptions made at the time of sale of the mortgages, and is therefore subject to variability.

Net other interest income (loss) is the net interest on loans receivable and payable that are associated with the Company's legacy businesses, and interest expense on the Company's operating line.

Other income (loss) is largely comprised of items associated with the Company's legacy businesses. These include management fees and other income earned by the Private Equity business, offset by some associated costs.

Credit provisions are allowances on loans and other receivables that are not part of the Company's mortgage lending business.

17. Contingencies

The Company, from time to time, is involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company. Contingent consideration associated with potential earn-out payments related to the purchase of Street Capital Financial was extinguished on the share exchange in the second quarter of 2015 (see Note 2).

18. Share capital

The authorized capital stock consists of an unlimited number of common and preferred shares with no par value. There are no preferred shares outstanding.

Common shares Issued and outstanding (000s)	March 31, 2016		December 31, 2015		March 31, 2015	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**
Outstanding, beginning of period	**121,226**	**$ 244,595**	120,866	$ 243,518	99,358	$ 206,680
Options exercised	**269**	**319**	360	1,077	545	324
DSUs converted	**667**	**796**	-	-	-	-
Shares acquired via normal course issuer bid	**(8)**	**(16)**	-	-	-	-
Shares issued (net of share issue costs)	**-**	**-**	-	-	-	-
	122,154	**$ 245,694**	121,226	$ 244,595	99,903	$ 207,004
Share purchase loans		**(1,912)**		(2,417)		(2,417)
Outstanding, end of period	**122,154**	**$ 243,782**	121,226	$ 242,178	99,903	$ 204,587

For the three months ended

Share purchase loans, which are collateralized by the shares purchased and by personal guarantees, were granted to certain key employees and former employees. During the first quarter of 2016, one of the loans was repaid in full. At March 31, 2016, the remaining share purchase loans outstanding were for the purchase of 462,500 (December 31, 2015 – 780,000) common shares of the Company. These loans have various maturity dates through to December 31, 2020, and are non-interest bearing.

Stock options

Stock Options Outstanding and exercisable (000`s except price)	March 31, 2016		December 31, 2015		March 31, 2015	
	Number of options	**Weighted-average Exercise Price**	**Number of options**	**Weighted-average exercise price**	**Number of options**	**Weighted-average exercise price**
Outstanding, beginning of period	**3,407**	**$ 1.11**	3,767	$ 1.06	5,025	$ 0.87
Granted	**-**	**-**	-	-	-	-
Exercised	**(269)**	**0.68**	(360)	0.61	(545)	0.59
Forfeited	**-**	**-**	-	-	-	-
Outstanding, end of period	**3,138**	**$ 1.14**	3,407	$ 1.11	4,480	$ 0.90
Exercisable, end of period	**2,433**	**$ 1.03**	2,682	$ 0.99	3,224	$ 0.82
Weighted-average market price per share at date of exercise		**$ 1.21**		$ 1.33		$ 1.91
Weighted-average remaining contractual life in years		**2.57**		2.74		2.97

For the three months ended

Deferred Share Units

The Company implemented a Deferred Share Unit Plan (“DSU Plan”) in March 2006, under which the Company’s independent directors received annual grants of deferred share units (“DSUs”). The terms of the DSU plan provided that when a DSU holder ceased to be a director, the DSUs were to be paid out based on the closing price of the Company’s common stock at that time. In June 2011, the Company ceased granting DSUs, but the outstanding DSUs retained the same terms and conditions. In 2013, the DSU Plan was amended to provide for payment in shares rather than cash.

Approximately 813,000 DSUs, which were equivalent to that number of the Company’s common shares, were outstanding at December 31, 2015. Approximately 667,000 of these DSUs were held by retired directors, and were exchanged for common shares during the first quarter of 2016. At March 31, 2016, approximately 146,000 DSUs, all of which are held by an active director, were outstanding.

19. Net income per share

The following is a reconciliation of the numerators and denominators used in computing net income (loss) per share for the periods ended March 31:

	Three months ended March 31,	
Basic and diluted net income (loss) per share:	**2016**	**2015**
Numerator:		
Income (loss) from continuing operations	**$ 2,690**	$ 595
Income (loss) attributable to non-controlling interest	**(304)**	(2,870)
Income (loss) attributable to shareholders - continuing operations	**2,994**	3,465
Income (loss) from discontinued operations	**9**	8
Income (loss) attributable to non-controlling interest	**-**	(277)
Income (loss) attributable to shareholders - discontinued operations	**9**	285
Net income (loss) attributable to shareholders	**$ 3,003**	$ 3,750
Denominator:		
Weighted average common shares outstanding (000's) - basic and diluted	**121,824**	99,817
Basic and diluted net income (loss) per share from continuing operations	**$ 0.02**	$ 0.04
Basic and diluted net income (loss) per share from discontinued operations	**$ 0.00**	$ 0.00
Basic and diluted net income (loss) per share	**$ 0.02**	$ 0.04

In computing the diluted net income (loss) per share for the periods ended March 31, 2016 and 2015, the Company included in the calculation potential common share equivalents, which are comprised of incremental shares from stock options, and the outstanding DSUs held by directors. The inclusion of such common share equivalents was not sufficiently dilutive to change the earnings per share amounts for either year.

20. Capital risk management

The Company’s objective is to maintain a strong simplified capital base in order to maintain investor confidence and support the future development of the business, while allocating capital for maximum economic benefit. Management defines capital as the Company’s equity and deficit. The Company’s wholly owned subsidiary, Street Capital Financial, has minimum net worth requirements as stipulated under the bank facilities discussed in Note 12. As at March 31, 2016 and December 31, 2015, Street Capital Financial far exceeded the minimum, and had been compliant throughout the quarter and year ending on the respective dates.

Street Capital Financial has applied to Canada's Minister of Finance for approval to operate as a Schedule I bank. In anticipation of Street Capital Financial receiving this approval, the Company has developed a Board-approved Capital Management Policy that will govern the quantity and quality of capital held. The objective of the policy is to ensure that, in addition to ensuring the Company has adequate capital to support its strategic and business objectives, it also has adequate capital to absorb potential unexpected losses and meet the minimum regulatory capital requirements as stipulated by the Office of the Superintendent of Financial Institutions, Canada ("OSFI"). Street Capital Financial defines capital as meeting the definition of regulatory capital as defined by the capital adequacy requirements defined by OSFI, which in its case is Street Capital Financial's common equity and retained earnings. Two regulatory capital requirements are addressed in Street Capital Financial's policy: the Leverage Ratio and the Risk-Based Capital Ratios.

21. Financial instruments

The amounts set out in the following table represent the fair value and the current / non-current classification of the Company's financial instruments.

				March 31, 2016	December 31, 2015	
	Due within one year	Due after one year	Total carrying value	Fair value	Total carrying value	Fair value
Financial assets						
Cash and cash equivalents (i)	7,836	-	7,836	7,836	8,846	8,846
Restricted cash (i)	13,726	-	13,726	13,726	13,078	13,078
Non-securitized mortgage loans (ii)	4,329	922	5,251	5,278	16,741	16,922
Securitized mortgage loans (ii)	20,473	143,935	164,408	166,387	167,762	171,217
Deferred placement fees receivable (ii)	10,089	36,239	46,328	46,328	46,442	46,442
Other assets (ii)	7,602	3,791	11,393	11,393	7,845	7,845
Portfolio investments (i)	-	5,160	5,160	5,160	13,506	13,506
	64,055	190,047	254,102	256,108	274,220	277,856
Financial liabilities						
Bank facilities (iii)	12,049	-	12,049	12,049	15,817	15,817
Loans payable (iii)	6,795	-	6,795	6,795	8,972	8,972
Securitization liabilities (iii)	20,967	142,061	163,028	164,426	167,380	168,702
Accounts payable and accrued liabilities (iii)	30,984	237	31,221	31,221	37,763	37,763
	70,795	142,298	213,093	214,491	229,932	231,254

(i) Fair value through profit or loss
(ii) Loans and receivables at amortized cost
(iii) Financial liabilities at amortized cost

The valuation methods and assumptions are described below.

The estimated fair values approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction in the principal or most advantageous market accessible to the Company.

The following assumptions and methods were used to determine the fair values of financial instruments:

Cash and cash equivalents (restricted cash), other assets, bank facilities and loans payable, accounts payable and accrued liabilities – fair value approximates carrying value due to the short-term nature of the financial instrument.

Non-securitized and securitized mortgage loans – fair value is determined by discounting the expected future cash flows, adjusting for prepayment and credit loss assumptions, if applicable, at current rates for offered loans with similar terms.

Deferred placement fees receivable – fair value approximates carrying value as the discount rates used to discount expected future cash flows from this asset have not changed materially from the time of recognition.

Portfolio investments – fair value is determined by using various valuation techniques and market prices (see Note 10).

Securitization liabilities – fair value is determined by discounting the expected future cash flows using current rates for MBS.

The Company uses the following hierarchy for determining the fair value of financial instruments:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3 – one or more significant inputs to the valuation methodology are unobservable.

The following tables present the financial instruments measured at fair value at March 31, 2016 and December 31, 2015 as classified by the fair value hierarchy set out above:

				March 31, 2016
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents (i)	7,836	-	-	7,836
Restricted cash (i)	13,726	-	-	13,726
Non-securitized mortgage loans (ii)	-	-	5,278	5,278
Securitized mortgage loans (ii)	-	-	166,387	166,387
Deferred placement fees receivable (ii)	-	-	46,328	46,328
Other assets (ii)	-	-	11,393	11,393
Portfolio investments (i)	4,569	-	591	5,160
	26,131	-	229,977	256,108
Financial liabilities				
Bank facilities (iii)	12,049	-	-	12,049
Loans payable (iii)	-	6,795	-	6,795
Securitization liabilities (iii)	-	-	164,426	164,426
Accounts payable and accrued liabilities (iii)	-	-	31,221	31,221
	12,049	6,795	195,647	214,491

(i) Fair value through profit or loss
(ii) Loans and receivables at amortized cost
(iii) Financial liabilities at amortized cost

During the first quarter of 2016, one of the Company's portfolio investments was transferred from Level 2 to Level 1. As described in Note 10, the investment was converted into publicly traded common shares following its merger with a publicly traded company.

	Level 1	Level 2	Level 3	December 31, 2015 Total
Financial assets				
Cash and cash equivalents (i)	8,846	-	-	8,846
Restricted cash (i)	13,078	-	-	13,078
Non-securitized mortgage loans (ii)	-	-	16,922	16,922
Securitized mortgage loans (ii)	-	-	171,217	171,217
Deferred placement fees receivable (ii)	-	-	46,442	46,442
Other assets (ii)	-	-	7,845	7,845
Portfolio investments (i)	-	13,322	184	13,506
	21,924	13,322	242,610	277,856
Financial liabilities				
Bank facilities (iii)	15,817	-	-	15,817
Loans payable (iii)	-	8,972	-	8,972
Securitization liabilities (iii)	-	-	168,702	168,702
Accounts payable and accrued liabilities (iii)	-	-	37,763	37,763
	15,817	8,972	206,465	231,254

22. Financial risk management

The Company is exposed to various risks given the nature of its business activities and its exposure to financial instruments. The Company has established policies and processes to measure and manage the risks, as set out below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability or unwillingness to fulfill its payment obligations.

The Company's credit risk is mainly associated with its mortgage lending business, in the form of the risk of default on the part of the borrower. The vast majority of the mortgages that the Company underwrites are sold to institutional investors and are insured or insurable against default with CMHC and other government backed private insurers, such that the residual credit risk to the Company is immaterial overall. Given that the majority of these mortgages are sold to institutional investors, their credit quality remains an important measure in ensuring continued demand from these investors. If mortgages that the Company sold or securitized in the past perform poorly, it may adversely affect the perceived value, or reduce the quantity, of any future mortgages it attempts to sell or securitize.

Even though the Company is not exposed to material levels of credit risk associated with its mortgage lending business, the Company applies a detailed set of Board approved credit policies and underwriting procedures, in order to ensure that mortgages are insurable and meet investor requirements. At the individual transaction level the Company applies a due diligence process to each mortgage underwritten, with oversight from an experienced management team. All mortgage applications are risk ranked, and additional independent quality assurance procedures are performed on a significant percentage of mortgage files prior to funding. Post-funding reviews are also conducted in order to provide continuous feedback and monitoring of mortgage credit quality.

The Company's credit risk on liquid assets, the vast majority of which are cash and cash equivalents, is relatively limited as all counterparties are Schedule I Canadian banks with high credit ratings assigned by international rating agencies.

The Company has credit risk associated with specific loans receivable that are related to its discontinued Real Estate, Asset Liquidation and Case Goods businesses. The balance of these loans at March 31, 2016 was $5.4 million (December 31, 2015 - $5.6 million). The Company evaluated the collectibility of these loans at March 31, 2016 and determined that no increase to the existing credit allowances of $1.7 million was required, and therefore the Company's net receivable is $3.7 million (December 31, 2015 - $3.9 million).

The maximum credit exposures of the financial assets are their carrying values as reflected on the consolidated statements of financial position. The Company does not have any significant concentrations of credit risk within any geographic region or group of customers.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. This risk arises from the fluctuations in the Company's cash flows that are associated with loan sales, securitization, investing and other business activities. The Company manages liquidity risk through both daily monitoring and measurement of the Company's liquidity position, and regular liquidity forecasting to ensure it has sufficient liquidity to meet all expected cash outflows, both in ordinary market conditions and during periods of market stress.

The Company's main sources of operating liquidity are the cash premiums received from the sale of mortgages to investors, cash received from the Company's share of servicing fees and excess spread, and, to a lesser extent, the sale of NHA MBS. In order to maintain strong investor demand for Street Capital Financial's mortgages, and target the maximum gain on sale, Street Capital Financial invests only in high quality mortgages and maintains stringent underwriting and quality assurance processes. If mortgages that the Company sold or securitized in the past perform poorly, it may adversely affect the perceived value, or reduce the quantity, of any future mortgages it attempts to sell or securitize.

The Company holds liquid assets primarily in the form of cash in bank deposits. At March 31, 2016 the Company had $7.8 million in cash and cash equivalents on deposit with a Schedule I Canadian bank.

The Company has a $165 million credit facility with a syndicate of Schedule I Canadian banks, which is available in three tranches depending on the use of funds. Up to $125 million can be used to fund up to 98% of the value of insured high ratio mortgages, up to $25 million can be used to fund up to 80% of conventional, low ratio insurable mortgages, and up to $15 million is available as an operating line. The Company had $153 million total available capacity under these facilities at March 31, 2016 (December 31, 2015 – $149 million). As an approved NHA MBS issuer, the Company can also access the NHA MBS market to fund insured mortgages.

The Company periodically receives cash related to its Private Equity business, in connection with the disposition of KBCP Fund 1's investments. In the first quarter of 2016, the net receipts were approximately $1.4 million ($4.5 million during the year ended December 31, 2015). As discussed above, management expects that KBCP Fund 1 will exit from its remaining material investment in 2016 or 2017, at which time the Company will receive its proportionate share, and no further cash flows will be received.

Liquidity risk associated with mortgage commitments is limited, as the investors commit to funding the vast majority at the time of mortgage commitment. For the small number of mortgage commitments without an upfront investor commitment, the Company utilizes its available credit facility prior to either issue of NHA MBS or sale to an investor.

Interest rate risk

Interest rate risk is the risk of lost earnings or capital due to changes in interest rates. The objective of interest rate risk management is to ensure that the Company is able to realize stable and predictable earnings, over specific time periods, despite fluctuations in interest rates. The Company manages interest rate risk to minimize its exposure to fluctuations in interest rates by assessing the potential impact of interest rate changes on net interest income. The Company's primary exposure to interest rate risk arises from fluctuations in interest rates on its mortgages and loans payable, which depend on prevailing rates at renewal.

The Company is not exposed to a material level of interest rate risk arising from mortgage commitments, because the purchase price for mortgages sold to investors is based on customer commitment rates rather than the funded rate, thereby passing on the interest rate risk to the investors. Where the Company securitizes its mortgages directly, it is exposed to interest rate risk arising from mortgage commitments issued and from the point of loan funding to the pooling of the loan for securitization, but this has been immaterial given low relative volumes.

At March 31, 2016 an immediate and sustained 100 basis point change in interest rates would result in a $95 (December 31, 2015 - $53) before tax increase in net interest expense over the next 12 months.

Investment Risk

Investment risk is the risk of loss due to impairment in the fair value of investments. The Company's investment risk arises from its portfolio investments, which are carried at fair value. At March 31, 2016 these portfolio investments had a fair value of $5.2 million, of which $3.5 million is attributable to the Company's non-controlling interests. At March 31, 2016 the Company has two primary valuation risks with respect to its portfolio investments. The fair value of the investment in Fleetwood, which management concluded was zero at March 31, 2016 and December 31, 2015, is based on management's analysis of Fleetwood's financial position and projections, as well as management's estimate of an appropriate discount rate and time horizon. The inclusion of significant unobservable inputs increases the risk that the investment fair value is not correct. The fair value of the Private Equity investments includes fewer unobservable inputs, as the majority of those inputs at March 31, 2016 consist of publicly traded stock. The primary valuation risk is the potential for a decline in the share price of the common stock prior to exiting the investment. An additional risk specific to Private Equity is that the majority of the remaining investments are in US dollars and therefore are also subject to the risk of an increase in the value of the Canadian dollar relative to the US dollar.

23. Discontinued operations

In the first quarter of 2013, The Company's Board of Directors approved a plan to dispose of the Company's non-core operating business segments. The decision reflected the Company's strategy to focus on mortgage lending through Street Capital Financial. At March 31, 2016, the Company's discontinued assets and liabilities are a net receivable of $80 (December 31, 2015 - $172) and in aggregate are immaterial with respect to the Company's financial condition and results of operations. Income from discontinued operations during the first quarter of 2016 consists of $9 interest income on a promissory note maturing in 2018 (first quarter of 2015 – income of $8).

24. Related party transactions

In addition to the shareholder loans described in Note 18, the Company has the following additional transactions.

Beginning in December 2004, the Company and its subsidiary, Heritage Global Inc. ("HGI"), entered into successive annual management services agreements (collectively, the "Agreement"). Under the terms of the Agreement, HGI agreed to pay the Company for ongoing management and financial services provided to HGI by Company employees. Following the Company's disposition of its investment in HGI in April 2014, HGI and the Company entered into a replacement management services agreement (the "Services Agreement"), under similar terms. Following changes to HGI's executive officers and directors that were effective on May 5, 2015, HGI and the Company terminated the Services Agreement effective August 31, 2015, and no amounts were charged after that date. The Company charged HGI US$108 for the three months ended March 31, 2015 under the Services Agreements. At March 31, 2016, the Company retained a loan receivable from HGI of US$1,721 (December 31, 2015 – US$1,721).

The loans receivable balance at March 31, 2016 includes a $565 non-interest bearing loan made to a senior executive of the Company (December 31, 2015 - $565).

25. Subsequent events

The Company has evaluated events subsequent to March 31, 2016 through to the date of approval of the financial statements by the Board of Directors for disclosure. There were no material subsequent events requiring disclosure.