STREET CAPITAL
GROUP INC.

Condensed consolidated interim financial statements - Unaudited

September 30, 2015

Street Capital Group Inc.

Condensed consolidated interim statements of financial position as at September 30, 2015

(In thousands of Canadian dollars) Unaudited

	Notes	September 30, 2015	June 30, 2015	December 31, 2014
		$	$	$
Assets				
Cash and cash equivalents	4	**44,877**	40,340	36,152
Non-securitized mortgage loans	5	**37,241**	27,013	4,285
Securitized mortgage loans	6	**101,837**	45,975	50,318
Deferred placement fees receivable	7	**45,236**	43,806	38,749
Prepaid portfolio insurance	8	**64,776**	60,239	50,888
Portfolio investments	9	**25,375**	22,595	40,010
Deferred tax asset	10	**12,899**	12,200	9,939
Other assets	11	**18,015**	28,963	19,016
Intangibles	12	**4,731**	4,854	5,101
Goodwill	12	**23,465**	23,465	23,465
		378,452	309,450	277,923
Assets of discontinued operations	22	**1,329**	1,346	1,341
Total assets		**379,781**	310,796	279,264
Liabilities				
Bank facilities	13	**40,906**	22,196	9,773
Loans payable	14	**9,553**	9,348	9,134
Securitization liabilities	6	**101,213**	46,830	50,546
Accounts payable and accrued liabilities	15	**60,547**	77,583	45,964
Deferred income taxes payable	10	**35,128**	32,294	26,219
Contingent consideration	2	**-**	-	4,908
		247,347	188,251	146,544
Liabilities of discontinued operations	22	**1,167**	1,167	1,167
Total liabilities		**248,514**	189,418	147,711
Shareholders' Equity				
Capital stock	17	**241,101**	241,101	204,263
Contributed surplus		**62,589**	62,498	62,311
Retained earnings (deficit)		**(182,938)**	(189,614)	(155,698)
Total shareholders' equity		**120,752**	113,985	110,876
Non-controlling interests		**10,515**	7,393	20,677
Total equity		**131,267**	121,378	131,553
Total liabilities and equity		**379,781**	310,796	279,264
Commitments and guarantees	16			

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

Street Capital Group Inc.
Condensed consolidated interim statements of operations
For the three and nine months ended September 30, 2015

(In thousands of Canadian dollars except earnings per share data) Unaudited

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2015**	2014	**2015**	2014
		$	$	**$**	$
Revenue					
Gain on sale of mortgages	7	**41,197**	39,774	**129,067**	100,666
Acquistion costs		**(21,994)**	(23,956)	**(69,415)**	(59,274)
Net gain on sale of mortgages		**19,203**	15,818	**59,652**	41,392
Net interest and other income		**227**	1,760	**272**	5,840
Total revenue		**19,430**	17,578	**59,924**	47,232
Expenses					
Salaries and benefits		**7,039**	6,253	**21,175**	17,975
Selling, general and admininstrative expenses		**3,346**	3,701	**10,180**	10,011
Restructuring costs	2	**-**	-	**50,240**	-
		10,385	9,954	**81,595**	27,986
Income (loss) before fair value adjustments		**9,045**	7,624	**(21,671)**	19,246
Fair value adjustments	9	**2,783**	8,028	**75**	17,547
Income (loss) before income taxes and discontinued operations		**11,828**	15,652	**(21,596)**	36,793
Income taxes	10	**2,136**	2,073	**5,950**	5,645
Income (loss) from continuing operations		**9,692**	13,579	**(27,546)**	31,148
Income (loss) from discontinued operations	22	**9**	11	**11**	(11,602)
Net income (loss)		**9,701**	13,590	**(27,535)**	19,546
Net income attributable to non-controlling interest		**3,025**	5,378	**(295)**	11,521
Net income (loss) attributable to shareholders		**6,676**	8,212	**(27,240)**	8,025
Basic and diluted net income (loss) per share					
Continuing operations	18	**0.06**	0.08	**(0.25)**	0.21
Discontinued operations		**0.00**	0.00	**0.00**	(0.13)
Basic and diluted net income (loss) per share		**0.06**	0.08	**(0.25)**	0.08
Weighted average number of common shares outstanding (in thousands) - basic and diluted		**120,866**	99,083	**107,617**	99,072

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

Street Capital Group Inc.

Condensed consolidated interim statements of comprehensive income
For the three and nine months ended September 30, 2015

(In thousands of Canadian dollars) Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
	$	$	**$**	$
Net income (loss)	**9,701**	13,590	**(27,535)**	19,546
Other comprehensive income (loss)				
Reclassification of cumulative currency translation adjustment - continuing operations to income, net of tax	**-**	-	**-**	(440)
Reclassification of cumulative currency translation adjustment - discontinued operations to loss, net of tax	**-**	1	**-**	(1,678)
	-	1	**-**	(2,118)
Comprehensive income (loss)	**9,701**	13,591	**(27,535)**	17,428
Comprehensive income (loss) attributable to:				
Shareholders	**6,676**	8,213	**(27,240)**	5,853
Non-controlling interest	**3,025**	5,378	**(295)**	11,575
	9,701	13,591	**(27,535)**	17,428

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

Street Capital Group Inc.

Condensed consolidated interim statement of changes in equity
For the nine months ended September 30, 2015

(In thousands of Canadian dollars) Unaudited

	Attributable to shareholders of the Company						
	Share capital (Note 17)	Contributed Surplus	Foreign currency translation	Retained earnings (deficit)	Total	Non-controlling Interest	Total equity
	$	$	$	$	$	$	$
Balance - December 31, 2013	**203,333**	**62,417**	**2,392**	**(152,035)**	**116,107**	**53,110**	**169,217**
Exercise of stock options	25	-	-	-	25	-	25
Net reduction in non-controlling interest investment	-	-	54	-	54	(35,676)	(35,622)
Employee share purchase loan	381	-	-	-	381	-	381
Share based compensation	-	287	-	-	287	-	287
Foreign currency translation adjustment	-	-	(2,172)	-	(2,172)	54	(2,118)
Dividends declared (in-kind)	-	-	-	(16,516)	(16,516)	-	(16,516)
Net income	-	-	-	8,025	8,025	11,521	19,546
Balance - September 30, 2014	**203,739**	**62,704**	**274**	**(160,526)**	**106,191**	**29,009**	**135,200**
Balance -December 31, 2014	**204,263**	**62,311**	**-**	**(155,698)**	**110,876**	**20,677**	**131,553**
Issuance of shares	**36,300**	**-**	**-**	**-**	**36,300**		**36,300**
Share issue costs	**(399)**				**(399)**		**(399)**
Exercise of stock options	**937**	**-**	**-**	**-**	**937**	**-**	**937**
Net reduction in non-controlling interest investment	**-**	**-**	**-**	**-**	**-**	**(9,867)**	**(9,867)**
Share based compensation	**-**	**278**	**-**	**-**	**278**	**-**	**278**
Net income (loss)	**-**	**-**	**-**	**(27,240)**	**(27,240)**	**(295)**	**(27,535)**
Balance - September 30, 2015	**241,101**	**62,589**	**-**	**(182,938)**	**120,752**	**10,515**	**131,267**

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

Street Capital Group Inc.
Condensed consolidated interim statements of cash flows
For the nine months ended September 30, 2015

(In thousands of Canadian dollars) Unaudited

	2015	2014
	$	$
Cash provided by (used in)		
Operating activities		
Income (loss) from continuing operations	**(27,546)**	31,148
Non-cash items		
Deferred income taxes	**5,950**	5,645
Foreign exchange on loans payable	**419**	135
Restructuring costs	**35,345**	-
Depreciation and amortization	**1,169**	947
Amortization of deferred financing and other costs	**-**	192
(Gain) loss on sale of business unit	**-**	(4,125)
Fair value adjustments	**260**	(17,449)
Share based compensation	**278**	287
Changes in non-cash assets and liabilities related to operations		
(Increase) decrease in securitized mortgage loans	**(51,519)**	(10,897)
(Increase) decrease in non-securitized mortgage loans	**(32,956)**	(3,674)
(Increase) decrease in deferred placement fees receivable	**(6,487)**	(7,332)
(Increase) decrease in prepaid portfolio insurance	**(13,888)**	(7,612)
(Increase) decrease in other assets	**963**	(11,454)
Increase (decrease) in bank facilities	**31,133**	(1,341)
Increase (decrease) in securitization liabilities	**50,667**	10,917
Increase (decrease) in accounts payable and accrued liablities	**14,583**	9,646
Cash provided by (used in) continuing operations	**8,371**	(4,967)
Cash provided by discontinued operations	**23**	1,649
	8,394	(3,318)
Investing activities		
Distributions from portfolio investments	**14,455**	33,026
Purchase of property, plant and equipment	**(768)**	(1,694)
Non-controlling interest	**(9,867)**	(25,241)
Cash provided by investing activities	**3,820**	6,091
Financing activities		
Proceeds (repayments) from loans payable	**-**	1,000
Share issue costs	**(399)**	-
Exercise of stock options	**937**	25
Payment of contingent liability	**(4,027)**	(4,027)
Cash provided by (used in) financing activities	**(3,489)**	(3,002)
Increase (decrease) in cash and cash equivalents	**8,725**	(229)
Cash and cash equivalents - beginning of period	**36,152**	17,580
Cash and cash equivalents - end of period	**44,877**	17,351
Less: Cash - discontinued operations	**-**	53
Cash and cash equivalents - continuing operations	**44,877**	17,298
Represented by:		
Cash and cash equivalents	**10,325**	5,165
Restricted cash represented by funds held in trust	**34,552**	12,133
Total - Cash and cash equivalents - continuing operations	**44,877**	17,298
Supplementary information		
Cash paid (received) during the period		
Interest received	**(2,272)**	(389)
Interest paid	**2,805**	1,428
Effects of exchange rate changes on the balance of cash held in foreign currencies	**1,784**	91
Non-cash investing and financing activities:		
Dividend in kind of Heritage Global Inc.	**-**	16,516
Sale of real estate investment	**-**	1,000

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

Street Capital Group Inc.
Notes to the condensed consolidated interim financial statements
September 30, 2015

(unless otherwise stated, all amounts are in thousands of Canadian dollars) Unaudited

1. General information

Street Capital Group Inc. (“Street” 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”), a Canadian residential mortgage lender that was acquired on May 31, 2011. In the first quarter of 2013, the Company discontinued its non-core operating businesses, namely, its Asset Liquidation (through Heritage Global Inc.), Case Goods (through Fleetwood Fine Furniture LP) and Real Estate businesses; consequently Street Capital is now its sole operating business.

The Company also owns 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 which it founded in 2008 and which is in the process of being liquidated.

The Company's principal subsidiaries and its respective ownership interest in each subsidiary as at September 30, 2015, June 15, 2015 and December 31, 2014 are as follows:

	September 30 2015	June 30 2015	December 31 2014
Street Capital Financial Corporation	**100%**	100%	100%
Knight's Bridge Capital Partners Inc.	**100%**	100%	100%

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on November 10, 2015.

2. Corporate realignment and restructuring charges

As part of the Company’s transition from operating multiple businesses in diverse markets to a focused financial services company, on June 23, 2015 the Company realigned its organizational structure resulting in restructuring charges during the second quarter. As part of the realignment the Company’s name was changed from Counsel Corporation to Street Capital Group Inc. During the second quarter, the Company completed negotiations with certain members of Street Capital’s management to extinguish existing Class C non-voting shares (the “Class C Shares”) and the related contingent consideration. The measurement, and subsequent extinguishment, of the contingent consideration took place in the second quarter, the first period in which management was able to reliably measure the liability. The negotiations arose as a result of the Company’s goal to strengthen its capital position and flexibility as it transitions to a focused financial services company.

On June 23, 2015 the Company purchased all of the issued and outstanding Class C Shares of Street Capital that were held by certain members of Street Capital’s management in exchange for 20 million common shares of the Company and $2,900 in cash. Subject to the occurrence of certain events, the vendors of the Class C Shares have agreed not to transfer the common shares issued to them except that i) 25% such shares may be transferred on or after June1, 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 for common shares of Street Capital the contingent liability and potential earn-out payments attached to the Class C Shares were extinguished.

Additional reorganization charges were recognized relating to severance payments and legal costs associated with the restructuring.

The issuance of common shares, extinguishment of the contingent liability and additional reorganization expenses were recognized as charges to income in the second quarter through restructuring expenses on the condensed consolidated interim statements of operation, as follows:

	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 retrictions on the shares issued.

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

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements as at, and for the year ended, December 31, 2014, as set out in the annual report on pages 24 to 53. Those 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 consolidated financial statements as at, and for the year ended, December 31, 2014 are disclosed in Note 3 and Note 4 of the financial statements, to which reference should be made in reading these unaudited condensed consolidated interim financial statements.

Comparative consolidated financial statements

The comparative condensed consolidated interim financial statements have been reclassified from statements previously presented to conform to the presentation of the condensed consolidated interim financial statements as at and for the three months and nine months ended September 30, 2015. Please see Note 25 for a reconciliation of the consolidated statement of financial position at March 31, 2015 and December 31, 2014 and the condensed consolidated interim statement of operations for the three and nine months ended September 30, 2014 to the revised presentation.

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 which affect the amounts reported as assets, liabilities, revenue and expense in the consolidated financial statements and accompanying notes. Key areas of such estimation are: re-measurement at fair value of financial instruments, valuations of receivables (i.e. duration factors on deferred fees receivable), portfolio investments, intangibles and goodwill, provisions, accounting accruals, the useful life and residual value of certain assets including prepaid portfolio insurance, accounting for deferred income taxes, and allowance for credit losses.

Allowance for credit losses represent 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 observable data, such as earnings multiples of companies that are comparable to the relevant portfolio company, and 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

Financial Instruments – In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and 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. The Company's assessment of the impact of the new standard on its results of operations, financial position and disclosures is in progress.

Revenue from contracts with customers – IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. 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.

4. Cash and cash equivalents

Included in cash and cash equivalents is $33,434 (June 30, 2015 - $31,765; December 31, 2014 - $11,976) of restricted cash - servicing, which represents mortgage loan repayments collected on behalf of a third party servicer. Also included is approximately $1,118 (June 30, 2015 - $1,678; December 31, 2014 – $1,154) of restricted cash – securitization, which 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.

At September 30, 2015 the Company had committed mortgage purchase facilities with a syndicate of Schedule 1 Canadian banks in the amount of $75,000 and $25,000, respectively. The $75,000 facility was increased to $125,000 effective October 1, 2015. These facilities can be used to fund, respectively, insured high ratio mortgage loans and conventional low ratio mortgages that are insurable. Proceeds from securitization or loan sales are used to pay down the facilities. The Company also has a $15,000 operating credit facility with the same syndicate. As at September 30, 2015, $41,000 was drawn on these three facilities (June 30, 2015 - $22,000; December 31, 2014 - nil) (see Note 13, Bank facilities).

5. Non-securitized mortgage loans

Non-securitized mortgage loans include mortgage loans that the Company holds on balance sheet for a short period. They are primarily made up of either mortgages intended for whole loan sales to various purchasers, or insured mortgages awaiting securitization and sale through National Housing Authority Mortgage-backed-securities ("NHA-MBS") program. At September 30, 2015, $32,341 of mortgages were being held for securitization (June 30, 2015 - $11,196; December 31, 2014 - nil).

Mortgage loans carry interest rates ranging from 1.9% to 7.85% with maturities up to 5 years (2014 – 2.6% to 8.00% with maturities up to 10 years).

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. Once the mortgage loans are securitized, the Company assigns the underlying mortgages to Canada Mortgage and Housing Corporation ("CMHC") and sells the related securities to the investors. As an 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 will ultimately 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. Further, the investors and CMHC have no recourse to other assets of the Company in the event of failure of debtors to pay when due.

The following table presents the gross carrying amounts of mortgages and related assets assigned in securitization transactions, which are recorded on the consolidated statement of financial position as securitized mortgages.

	September 30, 2015	June 30, 2015	December 31, 2014
Securitized mortgage loans receivable	**$ 99,174**	$ 44,041	$ 48,094
Deferred securitized mortgage acquisition costs	**2,532**	1,876	2,159
Accrued interest receivable	**131**	58	65
	$ 101,837	$ 45,975	$ 50,318

Deferred securitized mortgage acquisition costs are directly attributable to the acquisition of securitized mortgage loans and are amortized into income using the effective interest method.

NHA MBS securitization liabilities are repaid on a monthly basis as the principal and interest payments are collected from securitized loans. Accrued interest on securitization liabilities is recorded in securitization liabilities on the consolidated statement 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 method.

	September 30, 2015	June 30, 2015	December 31, 2014
Securitization liabilities	**$ 100,044**	$ 45,583	$ 49,124
Deferred transaction costs	**944**	1,124	1,291
Accrued interest payable	**225**	123	131
	$ 101,213	$ 46,830	$ 50,546

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

Year	Amount
2015	$ 2,976
2016	10,478
2017	10,950
2018	28,825
2019	15,841
2020	32,143
	$ 101,213

7. Mortgage sale activity

Gains on sale of mortgages

The Company sells whole loan mortgages to third parties and receives up to four forms of compensation:

- a cash premium;
- a servicing fee 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 cost of servicing and (ii) the excess spread, is recorded as gain on sale on the consolidated statement of operations and as deferred placement fees receivable on the consolidated statement of financial position.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Mortgages sold	**$ 2,284,829**	$ 2,261,258	**$ 6,896,561**	$ 5,572,962
Cash premium at sale	**35,934**	35,115	**111,691**	84,970
Deferred gain on sale	**5,263**	4,659	**17,376**	15,696
Acquisition costs	**(21,994)**	(23,956)	**(69,415)**	(59,274)
Net gain on sale	**$ 19,203**	$ 15,818	**$ 59,652**	$ 41,392
% Gain	**0.840%**	0.700%	**0.865%**	0.743%

In accordance with respective agreements with third party mortgage servicers, the Company administers mortgages purchased by third parties. At September 30, 2015 total mortgages under administration, including mortgages sold to third parties, amounted to $24.30 billion (June 30, 2015 – $23.38 billion; December 31, 2014 - $21.59 billion).

Deferred placement fees receivable

When mortgages are sold on a fully serviced basis, the Company charges the purchaser a servicing fee that is received over the life of the underlying mortgage. The present value of the servicing fee charged, less the Company’s cost of servicing, is recognized as gain on sale of mortgages in the consolidated statement of operations, and a resulting deferred placement fee receivable is recognized in the consolidated statement 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 is recognized as gain on sale in the consolidated statement of operations, and a resulting deferred placement fee receivable is recognized in the consolidated statement of financial position.

The present value of this excess spread is calculated based on a duration factor of the underlying mortgage sold.

	September 30, 2015			June 30, 2015			December 31, 2014		
	Capitalized at sale	Amortization	Net book value	Capitalized at sale	Amortization	Net book value	Capitalized at sale	Amortization	Net book value
Deferred placement fees receivable	$ 97,695	$ 52,459	$ 45,236	$ 92,367	$ 48,561	$ 43,806	$ 80,106	$ 41,357	$ 38,749

The difference between the cash collected and the amortization of the deferred placement fee receivable is recognized as income or loss in the consolidated statement of operations through net interest and other income.

8. Prepaid portfolio insurance

Prepaid portfolio insurance is amortized into income over a 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.

	September 30, 2015			June 30, 2015			December 31, 2014		
	Capitalized at purchase	Amortization	Net book value	Capitalized at purchase	Amortization	Net book value	Capitalized at purchase	Amortization	Net book value
Prepaid portfolio insurance	$ 79,980	$ 15,204	$ 64,776	$ 73,981	$ 13,742	$ 60,239	$ 62,123	$ 11,235	$ 50,888

The expense associated with the amortization recognized during the three and nine months ended September 30, 2015 was $1,444 and $4,105 (Q3 2014 - $1,412; YTD 2014 $3,580).

9. Portfolio investments

Portfolio investments are carried at fair value. Changes in fair value, inclusive of foreign exchange, are recorded as fair value adjustments and recognized in net income through profit and loss.

The Company's portfolio investments consist of:

	September 30, 2015	June 30, 2015	December 31, 2014
Fleetwood Fine Furniture International LP	$ 6,000	$ 9,000	$ 9,000
Knight's Bridge Capital Partners Fund I investments	19,275	13,495	$ 30,910
The H Company Holdings, LLC	100	100	100
	$ 25,375	$ 22,595	$ 40,010

Fleetwood Fine Furniture International LP ("Fleetwood") is a private equity investment that was established to acquire the business of Fleetwood Fine Furniture LP in the first quarter of 2014. Fleetwood provides high quality customized case goods to large, upscale hotel chains. Established in 1972, Fleetwood serves a focused niche, being the upscale and upper upscale strata of the hospitality industry. The Company's investment in Fleetwood represents all of the non-voting Class A partnership units of Fleetwood, which were received as partial consideration for the sale of the Company's Case Goods business. Based on management's review of Fleetwood's financial position at September 30, 2015, the fair value of the investment was determined to have decreased to $6.0 million, and therefore a fair value adjustment of $3.0 million was recognized.

Knight's Bridge Capital Partners Fund I ("KBCP Fund I") is a private equity investment fund sponsored by Knight's Bridge, which closed in the first quarter of 2008 with capital commitments in excess of $62,000, including $10,000 of capital committed by the Company and approximately $5,000 of capital committed by senior management. Between 2008 and 2013, KBCP Fund I invested in small to mid-market companies, primarily in the U.S. Following the initial five-year period, which ended in March 2013, KBCP Fund I capital calls were limited to funds for further investment in existing portfolio companies, and for management fees. No investments have been made since November 2013.

Although the Company holds approximately 16% of KBCP Fund I's limited partnership units, it has determined that it controls, and therefore consolidates, KBCP Fund I, due to its ability to influence its management and investments. In addition to the preferred return and profit the Company earns as a limited partner in KBCP Fund 1, the Company is also entitled to a carried interest of 20% of the total profits realized after the contributed capital and a minimum 8% per annum preferred return on the capital have been returned to the limited partners. Since KBCP Fund 1 began exiting its investments in the third quarter of 2014, the Company has received approximately $6.1 million as its carried interest. The Company also earns a 2% per annum management fee, which for the first five-year period was based on aggregate committed capital, and since March 2013 has been based on currently invested capital.

By the end of the first quarter of 2015, KBCP Fund 1 retained only two investments, only one of which was material. At September 30, 2015, management of this investment had entered into purchase and sale agreements (the "Agreements"), with independent third parties, that would result in this investment becoming a publicly traded company. At September 30, 2015 the Agreements remained subject to shareholder approval, but the Company was able to use the share price of the publicly traded company to value its investment. Historically, the majority of KBCP Fund 1's investments were in non-publicly traded companies, and therefore the fair values were determined using valuation techniques such as discounted cash flow analyses.

The net income (loss) attributable to non-controlling interest for the three and nine months ended September 30, 2015 was $3,025 and $(295), respectively (Q3 2014 - $5,378; YTD 2014 - $11,521). The non-controlling interest in KBCP Fund I held by the other limited partners amounts to $15,069 at September 30, 2015 (December 31, 2014 - $23,845).

A reconciliation of the carrying amount of portfolio investments from the end of 2013 through to September 30, 2015 is set out below:

Balance at December 31, 2013	**$**	**53,220**
Acquisitions and investments		9,000
Fair value adjustments		24,882
Foreign exchange adjustments		3,916
Distributions		(50,488)
Other		(520)
Balance at December 31, 2014	**$**	**40,010**
Fair value adjustments		(3,470)
Foreign exchange adjustments		3,290
Distributions		(14,455)
Balance at September 30, 2015	**$**	**25,375**

10. Income taxes

For the three and nine months ended September 30, 2015, the Company recognized a deferred income tax expense of $2,136 and $5,950 (Q3 2014 - $2,073; YTD 2014 - $5,645), respectively. 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 $35,128 deferred income tax liability balance as at September 30, 2015 (December 31, 2014 - $26,219) reflects primarily the estimated tax liability 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 $12,899 deferred tax asset (December 31, 2014 - $9,939) primarily represents tax losses at the Street Capital Group Inc. legal entity.

The combined Canadian federal and provincial statutory tax rate used for September 30, 2015 is 26.5% (2014 -26.5%). The income tax expense provision differs from the computed statutory rate due to non-deductible items.

As at September 30, 2015 the Company had recognized approximately $309,316 (September 30, 2014 – approximately $266,046) in non-capital loss carry-forwards, which may be used to reduce future years' taxable income until 2035.

In addition, at September 30, 2015, the Company had approximately $91,543 (September 30, 2014 – approximately $77,016) 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.

11. Other assets

Other assets consist of the following:

	September 30, 2015	June 30, 2015	December 31, 2014
Gain on sale receivable	**$ 4,537**	$ 14,752	$ 5,663
Loans receivable	**4,941**	4,662	6,045
Property, plant & equipment	**4,674**	4,727	4,705
Accounts receivable	**2,927**	3,422	1,218
Prepaid and other assets	**936**	1,400	1,385
	$ 18,015	$ 28,963	$ 19,016

Gain on sale receivable represents amounts not yet received on mortgage sale activities. Loans receivable include loans made to companies held as portfolio investments. Accounts receivable includes mortgage insurance receivables, trade receivables, harmonized sales taxes and any other amounts receivable.

12. Intangible assets and goodwill

Intangible assets

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

	September 30, 2015	June 30, 2015	December 31, 2014
Mortgage renewal stream	**$ 6,869**	$ 6,869	$ 6,869
Accumulated amortization	**(2,138)**	(2,015)	(1,768)
	$ 4,731	$ 4,854	$ 5,101

Amortization expense for the mortgage renewal stream, which is related to the acquisition of Street Capital, for the three and nine months ended September 30, 2015, was $123 and $369 (Q3 2014 - $123; YTD 2014 - $370). The amortization period of 15 years is based on historical renewal rates and industry benchmarks.

Goodwill

	September 30, 2015	June 30, 2015	December 31, 2014
Acquisition of Street Capital Financial Corporation	$ 23,465	$ 23,465	$ 23,465

Goodwill was not impaired at any of the dates shown above.

13. Bank facilities

Details of bank facilities are as follows:

	Maturity date	Interest rate	September 30, 2015	outstanding as at June 30, 2015	December 31, 2014
Revolving Credit Facility - Insured loans (i)	Demand	BA + 1.25%	$ 25,800	$ 12,200	$ -
Revolving Credit Facility - Conventional loans (i)	Demand	BA + 2.50%	4,100	-	-
Revolving Credit Facility - Operating line (i)	Demand	BA + 2.50%	11,006	9,996	-
Term debt (ii)	Demand	30 day BA	-	-	7,341
Credit facility (ii)		prime +2.0%	-	-	2,432
			$ 40,906	$ 22,196	$ 9,773

(i) At September 30, 2015 the Company had a total credit facility of $115 million with a syndicate of Schedule 1 Canadian banks that was available in three tranches dependent on use of funds. Under the terms of the facility, the Company had $75 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. The operating line of $15 million can be drawn at any time providing the Company has met certain affirmative and financial covenants. As of September 30, 2015, the Company has met all required covenants under the agreement. The entire credit facility is secured by a general security agreement.

Effective October 1, 2015, the $75 million facility available to fund insured mortgage loans was increased to $125 million, increasing the Company's total credit facility to $165 million.

(ii) In March 2014, the Company extended the term debt and credit facility, with a maturity date of the earlier of May 29, 2015 or when the Company or its subsidiaries obtain a license to carry on business as a bank. The Company repaid the term debt and credit facility on March 25, 2015.

14. Loans payable

Details of loans payable are as follows:

	Maturity date	Interest rate	September 30, 2015	outstanding as at June 30, 2015	December 31, 2014
Corporate loans	Jan 15/2016	6.00%	$ 7,353	$ 7,148	$ 6,934
Corporate loan	Demand	5.00%	100	100	100
Corporate loans	Demand	6.00%	2,100	2,100	2,100
			$ 9,553	$ 9,348	$ 9,134

The loans are not subject to security or covenants.

15. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities from continuing operations are as follows:

	September 30, 2015	June 30, 2015	December 31, 2014
Accounts payable	$ 12,446	$ 20,781	$ 31,240
Payment due to mortgage servicers	33,434	41,612	11,976
Accrued restructuring costs	11,437	12,267	-
Accrued compensation	2,514	2,365	1,975
Other	716	558	773
	$ 60,547	$ 77,583	$ 45,964

16. 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 was extinguished on the share exchange in the second quarter of 2015 (see Note 2).

17. Share capital

The authorized capital stock consists of an unlimited number of common and preferred shares with no par value:

						For the three months ended
Common shares	**September 30,**		June 30,		September 30	
Issued and outstanding ('000s)	**2015**		2015		2014	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**
Outstanding, start of period	**120,866**	**$ 243,518**	99,903	$ 207,004	99,071	$ 206,136
Options exercised	**-**	**-**	963	613	30	20
Shares issued	**-**	**-**	20,000	35,901	-	-
Share purchase loans	**-**	**(2,417)**	-	(2,417)	-	(2,417)
Outstanding, end of period	**120,866**	**$ 241,101**	120,866	$ 241,101	99,101	$ 203,739

				For the nine months ended
Common shares	**September 30,**		September 30	
Issued and outstanding ('000s)	**2015**		2014	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Outstanding, start of period	**99,358**	**$ 206,680**	99,063	$ 206,131
Options exercised	**1,508**	**937**	38	25
Shares issued	**20,000**	**35,901**	-	-
Share purchase loans	**-**	**(2,417)**	-	(2,417)
Outstanding, end of period	**120,866**	**$ 241,101**	99,101	$ 203,739

Share purchase loans were granted to certain key employees and former employees. The loans are collateralized by the shares purchased and personal guarantees. At September 30, 2015, the share purchase loans outstanding were for the purchase of 780,000 (December 31, 2014 – 780,000) common shares of the Company. These loans have various maturity dates through to December 31, 2020, and all of them are non-interest bearing.

Stock options

For the three months ended									
Stock Options	**September 30,**			June 30,			September 30		
Outstanding and exercisable (`000`s except price)	**2015**			2015			2014		
	Number of Shares		**Weighted-average Exercise Price**	**Number of Shares**		**Weighted-average Exercise Price**	**Number of Shares**		**Weighted-average Exercise Price**
Outstanding, start of period	**3,767**	**$**	**1.06**	4,480	$	0.90	4,659	$	0.79
Granted	**-**		**-**	250		2.32	131		1.95
Exercised	**-**		**-**	(963)		0.64	(30)		0.65
Outstanding, end of period	**3,767**	**$**	**1.06**	3,767	$	1.06	4,760	$	0.82
Exercisable, end of period	**2,705**	**$**	**0.95**	2,692	$	0.93	3,229	$	0.78
Weighted-average market price per share at date of exercise		**$**	**-**		$	0.93		$	1.63
Weighted-average remaining contractual life in years			**2.83**			3.08			3.10

For the nine months ended						
Stock Options	**September 30,**			September 30		
Outstanding and exercisable (`000`s except price)	**2015**			2014		
	Number of Shares		**Weighted-average Exercise Price**	**Number of Shares**		**Weighted-average Exercise Price**
Outstanding, start of period	**5,025**	**$**	**0.87**	4,667	$	0.79
Granted	**250**		**2.32**	131		1.95
Exercised	**(1,508)**		**0.62**	(38)		0.65
Outstanding, end of period	**3,767**	**$**	**1.06**	4,760	$	0.82
Exercisable, end of period	**2,705**	**$**	**0.95**	3,229	$	0.78
Weighted-average market price per share at date of exercise		**$**	**0.93**		$	1.69
Weighted-average remaining contractual life in years			**2.83**			3.10

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 are equivalent to that number of the Company’s common shares, were outstanding at September 30, 2015 (June 2015 and December 2014 – 813,000). Approximately 666,000 of these are held by retired directors and must be exchanged for common shares by the end of 2016.

18. 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 September 30:

Basic and diluted net income (loss) per share:	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Numerator:				
Income (loss) from continuing operations	**$ 9,692**	$ 13,579	**$ (27,546)**	$ 31,148
Income (loss) attributable to non-controlling interest	**2,575**	5,610	**(295)**	10,739
Income (loss) attributable to shareholders - continuing operations	**7,117**	7,969	**(27,251)**	20,409
Income (loss) from discontinued operations	**9**	11	**11**	(11,602)
Income (loss) attributable to non-controlling interest	**450**	(232)	**-**	782
Income (loss) attributable to shareholders - discontinued operations	**(441)**	243	**11**	(12,384)
Net income (loss) attributable to shareholders	**$ 6,676**	$ 8,212	**$ (27,240)**	$ 8,025
Denominator:				
Weighted average common shares outstanding (000's) - basic and diluted	**120,866**	99,083	**107,617**	99,072
Basic and diluted net income (loss) per share from continuing operations	**$ 0.06**	$ 0.08	**$ (0.25)**	$ 0.21
Basic and diluted net income (loss) per share from discontinued operations	**$ 0.00**	$ 0.00	**$ 0.00**	$ (0.13)
Basic and diluted net income (loss) per share	**$ 0.06**	$ 0.08	**$ (0.25)**	$ 0.08

In computing the diluted net income per share for the nine months ended September 30, 2015 and 2014, 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 the three or nine months ended September 30, 2015 or September 30, 2014.

19. Capital risk management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of shareholders' equity comprised of common stock, contributed surplus and retained earnings (deficit).

The Company considers adjustments to its capital structure given changes in economic conditions. The Company will balance its overall capital structure through new share issues, share repurchases, the payment of dividends, the issue of debt or by undertaking other activities as deemed appropriate under specific circumstances.

The Company's overall strategy with respect to capital risk management remained unchanged during the current reporting period. The Company is compliant with all covenants related to its outstanding debt.

20. 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.

	September 30, 2015				December 31, 2014	
	Due within one year	Due after one year	Total Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Cash and cash equivalents (i)	44,877	-	44,877	44,877	36,152	36,152
Non-securitized mortgage loans (ii)	5,753	31,488	37,241	37,781	4,285	4,348
Securitized mortgage loans (ii)	11,087	90,750	101,837	104,688	50,318	51,643
Deferred placement fees receivable (ii)	-	45,236	45,236	45,236	38,749	38,749
Other assets (ii)	7,580	4,940	12,520	12,520	13,345	13,345
Portfolio investments (i)	-	25,375	25,375	25,375	40,010	40,010
	69,297	197,789	267,086	270,477	182,859	184,247
Financial liabilities						
Bank facilities (iii)	40,906	-	40,906	40,906	9,773	9,773
Loans payable (iii)	9,553	-	9,553	9,553	9,134	9,134
Securitization liabilities (iii)	10,779	90,434	101,213	102,167	50,546	52,031
Accounts payable and accrued liabilities (iii)	60,232	315	60,547	60,547	45,964	45,964
	121,470	90,749	212,219	213,173	115,417	116,902

(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 fee receivable – fair value approximates carrying value as the expected future cash flows from this asset are discounted on recognition.
- Portfolio investments – fair value is determined by using various valuation techniques (see Note 9).
- 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 September 30, 2015 and December 31, 2014 as classified by the fair value hierarchy set out above:

	September 30, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	44,877	-	-	44,877
Non-securitized mortgage loans	-	-	37,781	37,781
Securitized mortgage loans	-	-	104,688	104,688
Deferred placement fees receivable	-	-	45,236	45,236
Other assets	-	-	12,520	12,520
Portfolio investments	-	19,274	6,101	25,375
	44,877	19,274	206,326	270,477
Financial liabilities				
Bank facilities	40,906	-	-	40,906
Loans payable	-	9,553	-	9,553
Securitization liabilities	-	-	102,167	102,167
Accounts payable and accrued liabilities	60,547	-	-	60,547
	101,453	9,553	102,167	213,173

During the third quarter of 2015, one of the Company's portfolio investments was transferred from Level 3 to Level 2. As described in Note 9, purchase and sale agreements among independent third parties were in progress, and therefore established a fair value for this investment, based primarily on observable prices.

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	36,152	-	-	36,152
Non-securitized mortgage loans	-	-	4,348	4,348
Securitized mortgage loans	-	-	51,643	51,643
Deferred placement fees receivable	-	-	38,749	38,749
Other assets	312	107	12,926	13,345
Portfolio investments	-	18,519	21,491	40,010
	36,464	18,626	129,157	184,247
Financial liabilities				
Bank facilities	9,773	-	-	9,773
Loans payable	-	9,134	-	9,134
Securitization liabilities	-	-	52,031	52,031
Accounts payable and accrued liabilities	45,964	-	-	45,964
	55,737	9,134	52,031	116,902

21. Financial risk management

The Company has exposure to credit risk, foreign exchange risk, interest rate risk, liquidity risk and market value risk.

The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effects that changes in these variables could have on the Company.

Credit risk

The Company extends credit to customers through mortgage loans. Credit risk is the risk that the Company would incur a loss if a counter party failed to perform its obligations under the contractual terms and the collateral held, if any, is insufficient to cover the outstanding loan balance. All mortgage loans are insured or insurable with the CMHC or other private insurers, and as such no credit allowances are held.

The Company's credit risk on liquid assets is limited because all counterparties are Schedule 1 Canadian banks with high credit ratings assigned by international credit-rating agencies. The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets other than mortgage loans.

The Company has no allowance for doubtful accounts in continuing operations at September 30, 2015 (December 31, 2014 - nil) on outstanding loans or accounts receivable. The Company historically has not experienced any significant collection issues.

The maximum credit exposure of the financial assets is their carrying value as reflected on the consolidated statement of financial position. As of September 30, 2015, the Company's most significant concentration of credit risk is with the counterparties of cash and the mortgage loans.

Foreign exchange risk
Foreign exchange risk arises from assets and liabilities invested in U.S. dollars, operations derived from those U.S. dollar investments, and transactions in the U.S. with U.S. customers and foreign suppliers.

The Company had the following U.S. dollar denominated monetary assets and liabilities at September 30, 2015 and December 31, 2014, respectively: Cash US$1,288 and US$15,362; accounts receivable US$370 and US$351; loans receivable US$1,698 and US$2,979; portfolio investments US$14,543 and US$26,323; accounts payable US$372 and US$14,789; and mortgages and loans payable of US$3,304 and US$2,400. A one cent increase in the value of the U.S. dollar relative to the Canadian dollar would result in a $142 net increase in net income related to U.S. dollar denominated monetary assets and liabilities (2014 - $278).

Interest rate risk
Interest rate risk arises due to exposure to the effects of future changes in the level of interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates primarily on its mortgages and loans payable, depending on prevailing rates at renewal. With respect to the mortgage commitments, the Company is not exposed to a significant amount of interest rate risk as the purchase price for mortgages sold to investors is based on the customer commitment rate and not the ultimate funded rate.

In order to manage funding needs or capital structure goals, the Company enters into debt agreements that are subject to fixed market interest rates set at the time of issue or floating rates determined by on-going market conditions. Debt subject to variable interest rates exposes the Company to variability in interest expense, while debt subject to fixed interest rates exposes the Company to variability in the fair value of the debt.

To manage interest rate exposure, the Company accesses diverse sources of financing and manages borrowings in line with a targeted range of liquidity needs, maturity schedule, and interest rate profiles. At September 30, 2015, a 100 basis point change in interest rates would result in a $505 change in annual interest expense (December 31, 2014 - $189).

Liquidity risk
Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk associated with mortgage commitments is reduced as the purchasers commit to funding at the time of mortgage commitment.

Market value risk
The Company has investments in marketable securities. At September 30, 2015, a 10% change in the S&P/TSX composite index would result in a $12 change in net income (December 31, 2014 - $42).

The Company has portfolio investments which are subject to market value risk. The Company records its portfolio investments at fair value through profit or loss (see Note 20 and Note 9).

22. 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 reflects the Company's strategy, undertaken in recent years, to focus on mortgage lending through Street Capital. The Company's discontinued operations are in the Asset Liquidation, Case Goods and Real Estate segments. Discontinued operations have been presented on a segmented basis to enhance the reader's understanding of the financial information presented.

A summary of the carrying value of the assets and liabilities in discontinued operations is as follows:

	September 30, 2015	June 30, 2015	December 31, 2014
Assets:			
Current			
Cash and cash equivalents	$ 45	$ 45	$ 45
Other assets	1,284	1,301	1,296
Total Assets	$ 1,329	$ 1,346	$ 1,341
Liabilities:			
Current			
Accounts payable and accrued liabilities	1,167	1,167	1,167
Total Liabilities	$ 1,167	$ 1,167	$ 1,167

All of the assets and liabilities in discontinued operations at September 30, 2015 related to the Real Estate segment.

The composition of earnings (loss) from discontinued operations for the three and nine months ended September 30 is as follows:

	Three months ended September 30, 2015			
	Asset Liquidation	Case Goods	Real Estate	Total
Revenues	$ -	$ -	$ 9	$ 9
Expenses				
Selling, general and administrative expense	-	-	-	-
Other	-	-	-	-
Income before income taxes	-	-	9	9
Income tax provision	-	-	-	-
Income before non-controlling interest	-	-	9	9
Net income (loss) attributable to non-controlling interest	-	450	-	450
Net income	$ -	$ (450)	$ 9	$ (441)

	Nine months ended September 30, 2015			
	Asset Liquidation	Case Goods	Real Estate	Total
Revenues	$ -	$ -	$ 27	$ 27
Expenses				
Selling, general and administrative expense	-	-	6	6
Other	-	-	10	10
Income before income taxes	-	-	11	11
Income tax provision	-	-	-	-
Income before non-controlling interest	-	-	11	11
Net income (loss) attributable to non-controlling interest	-	-	-	-
Net income	$ -	$ -	$ 11	$ 11

	Three months ended September 30, 2014			
	Asset Liquidation	Case Goods	Real Estate	Total
Revenues	$ -	$ -	$ 12	$ 12
Expenses and other (income) losses				
Selling, general and administrative expense	-	-	1	1
Interest expense	-	-	-	-
Other	-	-	-	-
Income (loss) before fair value adjustments and income taxes	-	-	11	11
Fair value adjustments	-	-	-	-
Income (loss) before income taxes	-	-	11	11
Income tax provision (recovery)	-	-	-	-
Income (loss) before non-controlling interest	-	-	11	11
Net income (loss) attributable to non-controlling interest	-	(232)	-	(232)
Net income (loss)	$ -	$ 232	$ 11	$ 243

	Nine months ended September 30, 2014			
	Asset Liquidation	Case Goods	Real Estate	Total
Revenues	$ 1,591	$ 3,026	$ 147	$ 4,764
Expenses and other (income) losses				
Operating costs	231	1,417	-	1,648
Selling, general and administrative expense	2,388	576	308	3,272
Foreign exchange (gain) loss	(1,147)	(521)	-	(1,668)
Interest expense	70	-	1	71
Other	114	30	252	396
Income (loss) before fair value adjustments and income taxes	(65)	1,524	(414)	1,045
Fair value adjustments	(12,762)	-	-	(12,762)
Income (loss) before income taxes	(12,827)	1,524	(414)	(11,717)
Income tax provision (recovery)	(115)	-	-	(115)
Income (loss) before non-controlling interest	(12,712)	1,524	(414)	(11,602)
Net income (loss) attributable to non-controlling interest	(273)	1,055	-	782
Net income (loss)	$ (12,439)	$ 469	$ (414)	$ (12,384)

The Asset Liquidation business was carried on through entities that were wholly owned by the Company's subsidiary, Heritage Global Inc. ("HGI"). The Asset Liquidation business consisted of the acquisition and disposition of distressed and surplus assets throughout the United States and Canada.

The Case Goods business is carried on through Fleetwood, which provides high quality customized case goods for large, upscale hotel chains, primarily in North America.

Real Estate encompasses the ownership and development of properties as well as the provision of real estate property and asset management services to third parties.

All three segments were discontinued as at March 31, 2013. In the first quarter of 2014, the Case Goods business was sold to third parties, resulting in a gain of approximately $1,500. In addition, the Company extinguished a debt related to the Case Goods business, resulting in a gain of $4,125. The Asset Liquidation business was distributed to the Company's shareholders as a dividend-in-kind, which was declared on March 20, 2014 with a payment date of April 30, 2014. Upon the declaration of the dividend-in-kind, the Company's investment in HGI was reclassified from discontinued operations to shares "available for sale". This required the shares to be recorded at fair value, ultimately resulting in a fair value adjustment of $(12,762).

23. Related party transactions

Beginning in December 2004, HGI and the Company 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 the Company personnel.

Following the Company's disposition of its investment in HGI in April 2014, as described in Note 22, HGI and the Company entered into a replacement management services agreement (the "Services Agreement"). Under the terms of the Services Agreement, the Company remained as external manager and provided the same services, at similar rates. The Services Agreement had an initial term of one year, with a provision for automatic renewal for successive one-year terms, and could be terminated at any time upon mutual agreement of HGI and the Company. Following changes to HGI's executive officers and directors that were effective on May 5, 2015, HGI and the Company determined that the Services Agreement would be terminated in the third quarter of 2015, and this termination took place effective August 31, 2015. The Company charged HGI US$73 and $290 for the three and nine months ended September 30, 2015 (Q3 2014 - $118; YTD 2014 - $352) under the Services Agreements. In addition, at September 30, 2015, the Company had a loan receivable of US$1,698 (December 31, 2014 – US$2,985) from HGI.

24. Subsequent events

The Company has evaluated events subsequent to September 30, 2015 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.

25. Reconciliation of comparative consolidated financial statements

Condensed consolidated interim statements of financial position

	Reclassified April 1, 2015	March 31, 2015	Reclassified December 31, 2014	Original December 31, 2014
	$	$	$	$
Assets (a)				
Cash and cash equivalents	33,083	33,083	36,152	36,152
Securities	425	425	-	419
Mortgages, loans, accounts and deferred fees receivable (b)	-	33,855	-	29,366
Non-Securitized mortgage loans	5,007		4,285	-
Securitized mortgage loans	48,683	4,765	50,318	4,731
Deferred placement fees receivable	39,593		38,749	-
Portfolio investments	22,595	13,495	40,010	30,910
Prepaid porfolio insurance	54,931		50,888	-
Prepaid expenses (c)	-	5,655	-	7,058
Deferred income tax assets	10,399	-	9,939	-
Intangible assets	4,977		5,101	-
Other Assets (d)	19,049		19,016	-
Goodwill	23,465		23,465	-
Assets of discontinued operations	1,348	854	1,341	854
	263,555	92,132	279,264	109,490
Non-current assets (a)				
Deferred fees and mortgages receivable	-	24,504	-	26,594
Securitized mortgage loans	-	43,918	-	45,587
Prepaid expenses (c)	-	50,028	-	44,796
Property, plant and equipment	-	4,538	-	4,706
Portfolio investments	-	9,100	-	9,100
Intangible assets	-	4,977	-	5,101
Goodwill	-	23,465	-	23,465
Deferred income tax assets	-	10,399	-	9,939
Assets of discontinued operations	-	494	-	486
Total assets	263,555	263,555	279,264	279,264
Liabilities				
Bank facilities (e)	8,900	-	9,773	-
Loans payable	9,390	18,290	9,134	11,973
Accounts payable and accrued liabilities	40,507	40,504	45,964	45,961
Income taxes payable	-	3	-	3
Deferred income tax payable	27,536	0	26,219	-
Securitization liabilities	48,483	4,658	50,546	4,576
Contingent consideration	4,982	2,600	4,908	2,600
Liabilities of discontinued operations	1,167	1,017	1,167	1,017
	140,965	67,072	147,711	66,130
Non-current liabilities (a)				
Loans payable	-	-	-	6,934
Securitization liabilities	-	43,825	-	45,970
Contingent consideration	-	2,382	-	2,308
Deferred income tax liabilities	-	27,536	-	26,219
Liabilities of discontinued operations	-	150	-	150
Total liabilities	140,965	140,965	147,711	147,711
Equity	122,590	122,590	131,553	131,553
Total liabilities and equity	263,555	263,555	279,264	279,264

(a) The Company reclassified the balance sheet from a current/non-current presentation to a liquidity presentation

(b) Reclassified to Non-securitized mortgages, deferred placement fees receivable and other assets

(c) Prepaid expenses primarily reclassifed as prepaid portfolio insurance

(d) Other assets consists of loans and accounts receivable, property plant & equipment, other prepaid expenses, and securities.

(e) Bank facilities reclassified from loans payable

Condensed consolidated interim statements of operations

	Three months ended September 30, 2014		Nine months ended September 30, 2014	
	Reclassified	Original	Reclassified	Original
	$	$	$	$
Revenues				
Gain on sale of mortgages	39,774	41,502	100,666	102,848
Acquisition costs (a)	(23,956)	-	(59,274)	
Net Gain on sale of mortgages	15,818	41,502	41,392	102,848
Interest and fee income (b)	-	834		5,386
Net interest and other income (loss)	1,760	-	5,840	-
	17,578	42,336	47,232	108,234
Expenses				
Operating costs (a)	-	25,197	-	61,599
Salaries and benefits (c)	6,253		17,975	
Selling, general and administrative expense (c)	3,701	8,959	10,011	25,852
Foreign exchange	-	(45)	-	(389)
Depreciation and amortization	-	331	-	947
Interest expense (b)		270	-	979
	9,954	34,712	27,986	88,988
Income before other charges	7,624	7,624	19,246	19,246
Fair value adjustments	8,028	8,028	17,547	17,547
Income tax provision	2,073	2,073	5,645	5,645
Income (loss) from discontinued operations	11	11	(11,602)	(11,602)
Net income (loss) attributable to non-controlling inte	5,378	5,378	11,521	11,521
Net income (loss) attributable to shareholder	8,212	8,212	8,025	8,025

(a) Operating costs represent direct costs to acquire mortgages and are reclassified to revenues as acquisition costs as reduction to Gain on sale of mortgages

(b) Interest expense w as reclassified to revenues and combined w ith interest and fee income to Net interest and other income (loss)

(c) Salaries and benefits costs w ere segregated and reclasified from Selling, general and administrative expense