Consolidated Financial Statements

Element Financial Corporation

December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Element Financial Corporation

We have audited the accompanying consolidated financial statements of **Element Financial Corporation**, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Element Financial Corporation** as at December 31, 2015 and 2014, and the results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada,
March 2, 2016.

Element Financial Corporation

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in thousands of Canadian dollars]

	As at December 31, 2015	As at December 31, 2014
	$	$
ASSETS		
Cash	**61,007**	66,869
Restricted funds *[notes 10 and 19]*	**619,870**	443,238
Finance receivables *[notes 4 and 22]*	**17,555,296**	8,465,989
Equipment under operating leases *[notes 5 and 22]*	**4,126,553**	1,279,670
Investment in managed fund *[note 6]*	**154,012**	—
Accounts receivable and other assets	**141,792**	64,258
Notes receivable *[note 17]*	**50,819**	45,299
Derivative financial instruments *[note 19]*	**18,114**	5,746
Property, equipment and leasehold improvements *[note 7]*	**48,021**	17,020
Intangible assets *[note 8 and 22]*	**982,618**	391,898
Deferred tax assets *[note 15]*	**142,563**	39,405
Goodwill *[note 9 and 22]*	**1,262,680**	471,110
	25,163,345	11,290,502
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities *[notes 13 and 22]*	**654,638**	368,113
Derivative financial instruments *[note 19]*	**33,359**	11,196
Secured borrowings *[note 10]*	**17,862,038**	7,751,395
Convertible debentures *[note 11]*	**836,472**	303,147
Deferred tax liabilities *[note 15]*	**59,283**	25,700
Total liabilities	**19,445,790**	8,459,551
Shareholders' equity *[note 12]*	**5,717,555**	2,830,951
	25,163,345	11,290,502

See accompanying notes

On behalf of the Board:

Director

Director

Element Financial Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS

[in thousands of Canadian dollars, except for per share amounts]

	Year ended December 31, 2015	Year ended December 31, 2014
	$	$
NET FINANCIAL INCOME		
Interest income	**609,578**	298,868
Rental revenue, net *[note 5]*	**166,152**	62,645
	775,730	361,513
Interest expense	**304,821**	140,383
Net interest income before provision for credit losses	**470,909**	221,130
Provision for credit losses *[note 4]*	**18,641**	12,945
Net interest income	**452,268**	208,185
Management fees and other revenues *[note 14]*	**305,731**	125,755
	757,999	333,940
OPERATING EXPENSES		
Salaries, wages and benefits	**186,051**	91,251
General and administrative expenses	**136,135**	53,219
Amortization of convertible debenture synthetic discount *[note 11]*	**9,289**	2,863
Share-based compensation *[note 13]*	**34,197**	18,851
	365,672	166,184
BUSINESS ACQUISITION COSTS		
Amortization of intangible assets from acquisitions	**31,362**	10,447
Transaction and integration costs *[note 22]*	**203,283**	99,141
	234,645	109,588
Income before income taxes	**157,682**	58,168
Provision for (recovery of) income taxes *[note 15]*	**(16,749)**	4,099
Net income for the year	**174,431**	54,069
Basic earnings per share *[note 18]*	**$ 0.47**	$ 0.16
Diluted earnings per share *[note 18]*	**$ 0.46**	$ 0.15

See accompanying notes

Element Financial Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[in thousands of Canadian dollars]

	Year ended December 31, 2015	Year ended December 31, 2014
	$	$
Net income for the year	**174,431**	54,069
OTHER COMPREHENSIVE INCOME		
Cash flow and foreign exchange hedges *[note 19]*	**(46,389)**	(10,298)
Net unrealized foreign exchange gain	**591,659**	124,000
	545,270	113,702
Deferred tax recovery *[note 15]*	**(13,328)**	(9,603)
Total other comprehensive income	**558,598**	123,305
Comprehensive income for the year	**733,029**	177,374

See accompanying notes

Element Financial Corporation

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

	Common share capital	Preferred share capital	Equity component of convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total Shareholders' equity
	$	$	$	$	$	$	$
Balance, December 31, 2014	**2,248,103**	**365,113**	**33,135**	**39,692**	**18,299**	**126,609**	**2,830,951**
Comprehensive income for the year	**—**	**—**	**—**	**—**	**174,431**	**558,598**	**733,029**
Dividends accrued and/or paid *[note 12]*	**—**	**—**	**—**	**—**	**(31,047)**	**—**	**(31,047)**
Net taxes on dividends paid	**—**	**—**	**—**	**—**	**(906)**	**—**	**(906)**
Options exercised *[note 12 and 13]*	**25,754**	**—**	**—**	**(7,644)**	**—**	**—**	**18,110**
Shares issued *[note 12]*	**1,955,991**	**168,543**	**—**	**—**	**—**	**—**	**2,124,534**
Issuance of convertible debentures *[note 11]*	**—**	**—**	**30,356**	**—**	**—**	**—**	**30,356**
Deferred income taxes on equity component of convertible debentures	**—**	**—**	**(17,291)**	**—**	**—**	**—**	**(17,291)**
Employee stock option expense *[note 13]*	**—**	**—**	**—**	**29,819**	**—**	**—**	**29,819**
Balance, December 31, 2015	**4,229,848**	**533,656**	**46,200**	**61,867**	**160,777**	**685,207**	**5,717,555**
Balance, December 31, 2013	1,323,897	110,387	—	25,059	(15,991)	3,304	1,446,656
Comprehensive income for the year	—	—	—	—	54,069	123,305	177,374
Dividends paid *[note 12]*	—	—	—	—	(19,199)	—	(19,199)
Net taxes on dividends paid	—	—	—	—	(580)	—	(580)
Options exercised *[note 12 and 13]*	6,236	—	—	(1,579)	—	—	4,657
Shares issued *[note 12]*	917,970	254,726	—	—	—	—	1,172,696
Issuance of convertible debentures *[note 11]*	—	—	33,135	—	—	—	33,135
Employee stock option expense *[note 13]*	—	—	—	16,212	—	—	16,212
Balance, December 31, 2014	2,248,103	365,113	33,135	39,692	18,299	126,609	2,830,951

See accompanying notes

Element Financial Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands of Canadian dollars]

	Year ended December 31, 2015	Year ended December 31, 2014
	$	$
OPERATING ACTIVITIES *[note 26]*		
Net income for the year	**174,431**	54,069
Items not affecting cash		
Share-based compensation *[note 13]*	**29,819**	16,212
Depreciation of property, equipment and leasehold improvements	**5,234**	3,189
Amortization of intangible assets, including from acquisitions	**35,836**	11,389
Amortization of deferred lease costs	**14,708**	13,560
Amortization of deferred financing costs	**26,931**	15,735
Amortization of equipment under operating leases	**139,140**	19,995
Amortization of convertible debenture synthetic discount and deferred costs	**14,382**	3,883
Write-off of intangible assets and other assets	**(1,321)**	3,023
Share of earnings from equity accounted investments	**(9,660)**	—
Provision for credit losses	**18,641**	12,945
	448,141	154,000
Changes in non-cash operating asset and liabilities		
Accounts receivable and other assets	**(19,001)**	43,185
Accounts payable and accrued liabilities	**71,569**	70,283
Investment in finance receivables	**(6,461,239)**	(3,711,703)
Repayments of finance receivables	**4,869,707**	2,383,750
Investment in equipment under operating leases	**(1,285,059)**	(1,005,443)
Proceeds on disposals of equipment under operating leases	**123,319**	4,543
Syndications of finance receivables	**384,595**	264,525
Deferred tax assets	**(123,126)**	(2,784)
Deferred tax liabilities	**23,491**	(16,076)
Derivative financial instruments	**8,009**	2,436
Cash used in operating activities	**(1,959,594)**	(1,813,284)
INVESTING ACTIVITIES *[note 26]*		
Business acquisition *[note 22]*	**(8,904,970)**	(1,240,757)
Acquisition of investment in managed fund *[note 6]*	**(128,915)**	—
Increase in restricted funds	**(115,688)**	(32,947)
Purchase of property, equipment and leasehold improvements	**(8,394)**	(8,564)
Proceeds on disposals of property, equipment and leasehold improvements, and intangible assets	**2,451**	2,385
Purchase of intangible assets	**(19,956)**	(6,081)
Increase in notes receivable	**(5,520)**	(10,060)
Increase in deferred financing costs	**(52,147)**	(18,994)
Cash used in investing activities	**(9,233,139)**	(1,315,018)
FINANCING ACTIVITIES *[note 26]*		
Issuance of share capital, net *[note 12]*	**2,142,644**	1,177,353
Issuance of convertible debentures	**550,301**	332,399
Issuance of secured borrowings, net	**8,521,281**	1,690,875
Dividends paid on preferred shares *[note 12]*	**(31,953)**	(19,199)
Cash provided by financing activities	**11,182,273**	3,181,428
Effects of exchange rates on cash	**4,598**	1,342
Net increase (decrease) in cash during the year	**(5,862)**	54,468
Cash, beginning of year	**66,869**	12,401
Cash, end of year	**61,007**	66,869

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

1. CORPORATE INFORMATION

Element Financial Corporation [the "Company"] is an independent financial services company that originates, co-invests in and manages asset based financings and related service programs with operations in both Canada and the United States ["US"]. On September 30, 2015, the Company commenced operations in Australia, New Zealand and Mexico, following the acquisition of GE Capital's fleet operations [refer to note 22]. The Company originates the financing of a broad range of equipment and capital assets by way of secured loans, financial leases, conditional sales contracts, and operating leases.

The Company has organized its activities and operations around four verticals: [i] Fleet Management; [ii] Rail Finance; [iii] Commercial and Vendor Finance; and [iv] Aviation Finance. Fleet Management provides vehicle fleet leasing, management solutions, and related service programs including service cards, remarketing, maintenance management and accident services. Rail Finance, with a focus on vendor relationships with rail manufacturers, provides leases and other secured financing for railcars for the North American rail industry. Commercial and Vendor Finance, in conjunction with manufacturers and distributors, delivers financing and leasing solutions to end-user customers in the transportation, construction, commercial, industrial, healthcare, golf, technology and office products sectors. Aviation Finance provides leases and other secured financing for corporate airplanes and helicopters.

The Company was incorporated under the Business Corporations Act of Ontario (Canada) on May 11, 2007 and commenced operations on that date. The registered office of the Company is 161 Bay Street, Suite 3600, Toronto, Ontario. The Company is a public corporation traded on the Toronto Stock Exchange ["TSX"] under the symbol "EFN".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 2, 2016.

Basis of consolidation

Subsidiaries

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries from the dates of their acquisition. Transactions and balances amongst these entities have been eliminated upon consolidation.

Subsidiaries, which include certain private partnerships and structured entities, are entities over which the Company has control. The Company controls an entity when [1] it has the power over the entity; [2] it has exposure, or rights, to variable returns from its involvement with the entity, and [3] it has the ability to use its power over the entity to affect the amount of its returns.

Associates

Associates are entities which the Company has significant influence, but not control, over the operating and financial management policy decisions of the entity. Significant judgment is used to determine whether voting rights, contractual management and other relationships with the entity, if any, provide the Company with significant influence over the entity. Investments in associates are accounted for using the equity method and initially recorded at cost. Subsequently, the investment in an associate is adjusted for changes in the Company's share of net assets of the associate and such changes are reflected in the consolidated statements of operations.

Significant accounting policies

Finance receivables

The Company provides financing to customers through direct financing leases and loans.

Direct financing leases, which are contracts under terms that provide for the transfer of substantially all the benefits and risks of the equipment ownership to customers, are carried at amortized cost.

These leases are recorded at the aggregate minimum payments plus residual values accruing to the Company less unearned finance income. Unearned finance income includes origination fees earned.

Loans are recorded at amortized cost using the effective interest rate method. Interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan. Unearned finance income includes loan origination fees earned.

Initial direct costs that relate to the origination of the finance receivables are deferred and recognized as yield adjustments using the effective interest method over the term of the related financial asset. These costs are incremental to individual leases or loans and comprise certain specific activities related to processing requests for financing, such as the costs to underwrite the transaction and commission payments.

Direct financing leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a direct financing lease or a loan is deemed to be impaired at the earlier of the date it has been individually provided for when timely collection is not assured or when it has been in arrears for 120 days. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

Also included in finance receivables are secondary receivables arising out of the Fleet Management vertical, including interim fundings [lease assets in transit to the lessee] and fleet management receivables [amounts receivable from ancillary fleet service revenues, including fuel cards, accident management services and maintenance].

Equipment under operating leases

The Company determines the classification of a lease at its lease inception date.

An operating lease is one that does not transfer substantially all of the risks and rewards of ownership to the lessee.

Operating leases entered into by the Company are reported as “Equipment under operating leases” and are carried at cost less accumulated depreciation and are being depreciated to their estimated residual values using the straight-line method over the lease term or estimated useful life of the asset as follows:

Aviation assets	- up to 30 years from the date of manufacture to an approximate 30% salvage value
Railcar assets	- up to 50 years from the date of manufacture to an approximate 10% salvage value

Fleet vehicle assets - up to 10 years from the date of manufacture, with an average term of approximately 45 months

Rental revenue on operating leases is recognized on a straight-line basis over the lease term and is being reported net of depreciation as "Rental revenue, net".

Equipment under operating leases is reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use.

Revenue recognition

Interest income relates to finance receivables as described above. This income is recognized on an accrual basis using the effective interest rate method for leases and loans that are not considered impaired.

Syndication fees represent commissions received when the Company facilitates a lease arrangement between a lessee and a third party lessor. Syndication fees are recognized as income when the lease syndication has been completed.

Management fees and other revenue is recorded on an accrual basis as earned.

Allowance for credit losses

The Company reviews its individually significant finance leases and loans at each consolidated statement of financial position date to assess the adequacy of the allowance for credit losses and to determine whether an impairment loss should be recorded in the consolidated statements of operations. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the allowance. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance. Leases and loans that have been assessed individually and found not to be impaired and all individually insignificant leases are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether an allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the lease and loan portfolio, such as levels of arrears and credit utilization, and judgments to the effect of concentrations of risks.

Restricted funds

Restricted funds represent cash reserve accounts which are held in trust as security for secured borrowings and cash collection accounts required by the lenders of certain financial assets that can only be used to repay these debts.

Restricted funds also include amounts posted as collateral for derivative contracts.

Derivative financial instruments and hedge accounting

The Company utilizes derivatives to manage interest rate risk and foreign currency exposure, as well as equity price risk exposure related to the Company's stock compensation plans that are accounted for as liabilities. Derivatives are carried at fair value and are reported as assets if they have a positive fair value and as liabilities if they have a negative fair value.

The Company applies hedge accounting to derivatives that meet the criteria for hedge accounting in IAS 39, F*inancial Instruments: Recognition and Measurement* ["IAS 39"].

In order to qualify for hedge accounting, a hedge relationship must be designated and formally documented in accordance with IAS 39. The Company's documentation, in accordance with the requirements, includes the specific risk management objective and strategy being applied, the specific financial asset or liability or cash flow being hedged and how hedge effectiveness is assessed. Hedge effectiveness is assessed at the inception of the hedge and on an ongoing basis, which is at least quarterly. Hedge ineffectiveness is recognized immediately in income.

Cash flow hedges

The effective portion of the change in fair value of the derivative instrument is recognized in other comprehensive income until the forecasted cash flows being hedged are recognized in income in future accounting periods. When forecasted cash flows are recognized in income, an appropriate amount of fair value changes of the derivative instrument in accumulated other comprehensive income ["AOCI"] is reclassified to income. Any hedge ineffectiveness is immediately recognized in income. If a forecasted issuance of fixed rate debt or a forecasted acquisition of fixed rate assets is no longer expected to occur, the related cumulative gain or loss in AOCI is immediately recognized in income.

The Company uses interest rate swaps and foreign exchange forward agreements to hedge its exposure to changes in future cash flows due to interest rate risk and foreign currency risk in forecasted highly probable transactions.

The Company also uses interest rate derivatives, mainly interest rate swap agreements, to hedge its exposure to changes in future cash flows due to interest rate risk on its floating rate debt.

The Company also uses total return swap agreements to hedge its exposure to changes in future cash flows due to changes in the Company's share price on the its stock compensation plans that are accounted for as liabilities.

Fair value hedges

The effective portion of the change in fair value of derivative instruments is recognized in net income and are offset against any gains or losses on changes in fair value of the hedged item. The ineffective portion of the change in fair value is recorded in other income.

The Company uses total return swaps to hedge its exposure to changes in the Company's share price on the its deferred share unit liabilities.

Hedges of a net investment

Hedges of a net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Gains or losses on a hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statements of operations. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statements of operations.

The Company may use foreign currency forward agreements or foreign currency denominated debt as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

Secured borrowings

The Company periodically transfers pools of finance receivables to third parties, including structured entities. Transfers of pools of finance receivables under certain arrangements, including transfers where a security interest or legal ownership is transferred, do not result in derecognition of the finance receivables from the Company's consolidated statements of financial position and continue to be recognized on the Company's consolidated statements of financial position and accounted for as finance receivables, as described above. As such, these transactions result in the recognition of secured borrowings when cash is received from the third party or structured entity.

The secured borrowings are recorded at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability. The effective interest rate is the rate that exactly discounts estimated future cash outflows over the expected life of the liability. Transaction costs are applied to the carrying amount of the liability.

Deferred financing costs are presented as a reduction of secured borrowings and relate to costs incurred to obtain funding agreements that result in these arrangements. These amounts are accreted to income over a period matching the repayment terms of the secured borrowing obtained during the initial commitment period.

Convertible debentures

The convertible debentures are accounted for as a compound financial instrument with a debt component and a separate equity component. The debt component of this compound financial instrument is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The debt component is subsequently deducted from the total carrying value of the compound instrument to derive the equity component. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized through income as finance costs.

Property, equipment and leasehold improvements

Property, equipment and leasehold improvements are recorded at cost. The Company provides for depreciation using the declining balance method for equipment at annual rates designed to depreciate the cost of the equipment over their estimated useful lives. Leasehold improvements are depreciated on a straight-line basis over the underlying lease terms. Buildings, vehicles and computer servers are depreciated using the straight-line method over their estimated useful life. Land is not depreciated. The rates of amortization are as follows:

Office equipment	30% per annum
Computer equipment	55% per annum for general equipment 5 years for servers
Leasehold improvements	Lease term
Vehicles	4 years
Buildings	25 years

Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets, including previously unrecognized intangible assets and liabilities, including contingent liabilities but excluding future restructuring of the acquired business, at fair value.

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating units ["CGU"] to which it relates. Goodwill is not amortized but is evaluated for impairment against the carrying amount of the CGU annually or more often if events or circumstances indicate that there may be an impairment. The carrying amount of a CGU includes the carrying amount of assets, liabilities and goodwill allocated to the CGU. If the recoverable amount is less than the carrying value, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU proportionately based on the carrying amount of each asset. Any impairment loss is charged to income in the period in which the impairment is identified. Goodwill is stated at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

Transaction and integration costs

The Company presents transaction and integration costs separately on the consolidated statements of operations because these costs differ from other expenses in their frequency and predictability, and presenting them separately provides useful information to financial statement users.

The Company defines transaction costs as incremental costs that are incurred to effect, and are directly associated with, a business combination. Examples of transaction costs include advisory fees, due diligence fees, professional or consulting fees, certain financing charges, and management compensation directly attributable the transaction. Transaction costs are expensed as incurred.

The Company defines integration costs as incremental costs that are directly associated with a program to integrate an acquired business with the Company's existing operations. Examples of integration costs include staff rationalization, lease cancellations/onerous lease contracts, staff relocation costs, re-branding, consulting fees associated with integration and related restructuring, data migration and disentanglement of operations, and management compensation that is contingent upon the execution of the integration program. Integration costs are expensed as incurred unless earlier recognition is appropriate under the restructuring provision rules within IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Intangible assets

The Company's intangible assets include computer software and customer relationships and are measured at cost. All of the Company's intangible assets have a finite life, are amortized over their useful economic lives, and are assessed for impairment at each reporting period. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of operations.

Share-based payments

Stock options

The Company issues share-based awards to certain employees and directors. The awards are comprised of equity-settled stock options and the related cost is measured based on the estimated fair value on the date the awards are granted. The fair value of the stock options is estimated using the Black-Scholes option valuation model. The cost of the stock options issued to employees is recognized on a proportionate basis consistent with the vesting features of each tranche of the grant.

Deferred share unit plan

The Company has established a Deferred Share Unit ["DSU"] plan for executives and directors whereby the Company's Board of Directors [the "Board"] may award DSUs as compensation for services rendered. The plan is intended to promote a greater alignment of long-term interests between executives and directors and the shareholders of the Company. The Board determines the amount, timing, and vesting conditions associated with each award of DSUs. Additionally, directors may elect to receive up to 100% of their annual remuneration in DSUs. DSUs granted pursuant to such an election are fully vested on the date of grant.

Each DSU has a value that depends on the fair market value of one common share of the Company and, in the event dividends are paid on the Company's common shares, accrues dividend equivalents in the form of additional DSUs based on the amount of the dividend paid on a common share. DSUs mature upon termination of employment or directorship, whereupon the holder is entitled to receive a cash payment which reflects the fair market value of the equivalent number of common shares.

DSUs are recognized on the consolidated statements of financial position as a liability in accounts payable and accrued liabilities and are measured at fair value. Fair value is a function of the number of DSUs outstanding, the value of the Company's common shares, and, if applicable, the portion of the associated vesting period that has elapsed.

Performance share unit plan

The Company has established a Performance Share Unit ["PSU"] plan for employees of the Company and its subsidiaries, whereby the Board may award PSUs as compensation for services rendered. The Board determines the amount, timing, and vesting conditions associated with each award of PSUs.

The plan is intended to promote a greater alignment of long-term interests between employees and the shareholders of the Company. Each PSU has a value that depends on the fair market value of one common share of the Company and, in the event dividends are paid on the Company's common shares, accrues dividend equivalents in the form of additional PSUs based on the amount of the dividend paid on a common share.

PSUs are recognized on the consolidated statements of financial position as a liability and are measured at fair value. Fair value is a function of the number of PSUs outstanding, the value of the Company's common shares, and, if applicable, the portion of the associated vesting period that has elapsed or expectations with respect to performance criteria. Until the PSUs are settled, the liability is remeasured with any change in the fair value recorded in the consolidated statements of operations as an expense in the relevant financial reporting period.

Earnings per share

Basic earnings per share are calculated by dividing the net income or loss for the year attributed to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the same method as for basic earnings per share and adjusted for the weighted average number of common shares outstanding during the year to reflect the dilutive impact, if any, of options and warrants assuming they were exercised for that number of common shares calculated by applying the treasury stock method. The treasury stock method assumes that all proceeds received by the Company when options and warrants are exercised will be used to purchase common shares at the average market price during the reporting period.

Other financial instruments

Other financial instruments held or issued by the Company include cash, restricted funds, finance receivables, accounts receivable, notes receivable, accounts payable and accrued liabilities, and secured borrowings. All of these financial instruments are initially recorded at cost and subsequently measured at amortized cost.

Translation of foreign currencies

The consolidated financial statements of the Company are presented in Canadian dollars, which is the Company's functional and presentation currency. Foreign currency denominated monetary assets and liabilities of the Company and its subsidiaries that have the same functional currency are translated using the closing rate and non-monetary assets and liabilties measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenue and expense items are measured at average exchange rates during the year. Realized and unrealized gains and losses arising from translation into the functional currency are included in the consolidated statements of operations. Foreign currency denominated non-monetary assets and liabilities, measured at historical cost, are translated at the rate of exchange in effect at the transaction date.

Assets and liabilities of foreign operations with a functional currency other than the Canadian dollar, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates prevailing at the year end, while revenue and expenses of these foreign operations are translated into Canadian dollars at the average exchange rates for the year. Exchange gains and losses arising from the translation of these foreign operations and from the results of hedging the net investment in these foreign operations, net of applicable taxes, are included in net foreign currency translation adjustments, which is included in accumulated other comprehensive income. A deferred tax asset or liability is not recognized in respect of a translation gain or loss arising from the Company's investment in its foreign operations as it is not expected that such a gain or loss would be realized for tax purposes in the foreseeable future.

Upon disposition of a foreign operation any cumulative translation adjustment gain or loss, including the impact of hedging, will be reclassified from other comprehensive income to the consolidated statements of operations.

Income taxes

The Company follows the liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or equity in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Future accounting changes

The following new IFRS pronouncement has been issued but is not yet effective and may have a future impact on the Company's consolidated financial statements.

IFRS 9, *Financial Instruments* ["IFRS 9"], was issued in November 2009 and amended in October 2010, November 2013, and July 2014, and is effective for years beginning on or after January 1, 2018, to be applied retrospectively, or on a modified retrospective basis. It is intended to replace IAS 39. The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9's classification and measurement methodology provides that financial assets are measured at either amortized cost or fair value on the basis of the entities business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged. The new standard replaces the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. The standard introduces a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Company's consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ["IFRS 15"] was issued in May 2014 and is effective for years beginning on or after January 1, 2018, to be applied retrospectively or on a modified retrospective basis. IFRS 15 clarifies revenue recognition principles, provides a robust framework for recognizing revenue and cash flows arising from contracts with customers and enhances qualitative and quantitative disclosure requirements. IFRS 15 does not apply to lease contracts, financial instruments and other related contractual rights and obligations and insurance contracts. Management is currently evaluating the potential impact that the adoption of IFRS 15 will have on the Company's consolidated financial statements.

IFRS 16, *Leases* ["IFRS 16"], will replace IAS 17, *Leases* ["IAS 17"]. IFRS 16 substantially carry forward IAS 17 accounting requirements for lessor accounting, with additional disclosure requirements. For lessee accounting, the new standard will result in almost all leases being accounted for similar to finance leases under IAS 17, including leases previously accounted for as operating leases. IFRS 16 is to be effective for fiscal years beginning on or after January 1, 2019. Management is currently evaluating the potential impact that the adoption of IFRS16 will have on the Company's consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND USE OF JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date the consolidated financial statements are issued. Accordingly, actual results may differ from those recorded amounts. Areas of financial reporting that require management's estimates and judgments are discussed below.

Allowance for credit losses

Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, the fair value of underlying collateral, current economic trends, the expected residual value of the underlying leased assets and past experience.

Deferred tax assets

Deferred tax assets are recognized for unused income tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax-planning strategies.

Stock option expense

Compensation expense relating to stock option awards granted by the Company to employees and non-employees in exchange for services rendered is based on the fair value of the option. The stock option fair value is determined using the Black‑Scholes option valuation model which requires the use of assumptions and is, by its nature, subject to measurement uncertainty.

Useful lives and residual values of equipment under operating leases

The Company's equipment under operating leases are recorded at cost and depreciated over their estimated useful lives to an estimated residual value using the straight-line method. The Company determines the economic useful life based on management's estimate of the period which the asset will generate revenue. The residual values are based on historical experience and economic factors. Management will periodically review the appropriateness of the estimated useful lives and residual values based on changes in economic circumstances and other factors. Changes in these estimates would result in a change in future depreciation expense.

Business combinations

Business combinations require management to exercise judgment in measuring the fair value of the assets acquired, equity instrument issued, and liabilities and contingent liabilities incurred or assumed.

Intangible assets valuation - Customer Relationships

The Company's customer relationships requires management to use judgment in estimating the fair value of this intangible asset acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating customer attrition rates to determine the appropriate amortization period for the customer relationship intangible asset.

Goodwill valuation

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable values of the Company's cash generating units ["CGUs"] and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

4. FINANCE RECEIVABLES

The following table presents finance receivables based on the ultimate obligor's location:

	December 31, 2015			
	Canada	**US**	**Other**	**Total**
	$	$	$	$
Minimum lease payments	**3,077,937**	**13,799,085**	**710,251**	**17,587,273**
Unguaranteed residual values	**76,433**	**295,872**	—	**372,305**
Gross investment	**3,154,370**	**14,094,957**	**710,251**	**17,959,578**
Unearned income	**(393,891)**	**(1,327,430)**	**(38,727)**	**(1,760,048)**
Net investment	**2,760,479**	**12,767,527**	**671,524**	**16,199,530**
Net realizable value of impaired receivables	**3,142**	**1,160**	**550**	**4,852**
Unamortized deferred costs and subsidies	**(492)**	**(137,474)**	**(550)**	**(138,516)**
Security deposits	**(14,453)**	**(8,454)**	**(18,712)**	**(41,619)**
Interim fundings	**58,842**	**634,361**	**20,120**	**713,323**
Fleet management service receivables	**113,006**	**569,645**	**25,201**	**707,852**
Other receivables	**7,144**	**84,041**	**52,480**	**143,665**
Allowance for credit losses	**(7,698)**	**(20,466)**	**(5,627)**	**(33,791)**
Total	**2,919,970**	**13,890,340**	**744,986**	**17,555,296**

	December 31, 2014			
	Canada	**US**	**Other**	**Total**
	$	$	$	$
Minimum lease payments	3,330,923	4,971,245	106,530	8,408,698
Unguaranteed residual values	108,257	147,723	—	255,980
Gross investment	3,439,180	5,118,968	106,530	8,664,678
Unearned income	(418,955)	(482,899)	(13,564)	(915,418)
Net investment	3,020,225	4,636,069	92,966	7,749,260
Net realizable value of impaired receivables	5,451	—	—	5,451
Unamortized deferred costs and subsidies	1,989	(41,460)	(194)	(39,665)
Security deposits	(20,909)	(23,388)	(5,017)	(49,314)
Interim fundings	56,052	358,621	—	414,673
Fleet management service receivables	138,820	206,740	—	345,560
Other receivables	4,295	52,644	—	56,939
Allowance for credit losses	(5,412)	(11,314)	(189)	(16,915)
Total	3,200,511	5,177,912	87,566	8,465,989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

The following table presents delinquency status of the net investment in finance receivables, by contract balance:

	December 31, 2015		December 31, 2014	
	$	%	$	%
31-60 days past due	**12,955**	**0.08**	17,270	0.22
61-90 days past due	**7,520**	**0.05**	5,118	0.07
Greater than 90 days past due	**4,992**	**0.03**	3,242	0.04
Total past due	**25,467**	**0.16**	25,630	0.33
Current	**16,174,063**	**99.84**	7,723,630	99.67
	16,199,530	**100.00**	7,749,260	100.00

Selected characteristics of the finance receivables

	December 31, 2015		December 31, 2014	
	Leases	Loans	Leases	Loans
Net investment	**$14,048,049**	**$ 2,151,481**	$ 6,504,800	$ 1,244,460
Weighted average fixed interest rate	**5.52%**	**6.35%**	6.50%	6.56%
Weighted average floating interest rate	**3.07%**	**6.34%**	3.04%	5.72%
Percentage of portfolio with fixed interest rate	**55.17%**	**63.29%**	45.62%	78.99%

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

Allowance for credit losses

An analysis of the Company's allowance for credit losses is as follows for the years ended December 31:

	2015 $	2014 $
Allowance for credit losses, beginning of year	**16,915**	11,071
Assumed through business acquisitions	**8,974**	2,529
Provision for credit losses	**18,641**	12,945
Charge-offs, net of recoveries	**(13,758)**	(10,439)
Impact of foreign exchange rates	**3,019**	809
Allowance for credit losses, end of year	**33,791**	16,915
Allowance as a percentage of finance receivables	**0.19%**	0.20%
Finance receivables in arrears [90 days and over]	**4,992**	3,242
Arrears [90 days and over] as a percentage of net investment in finance receivables	**0.03%**	0.04%
Impaired receivables, at estimated net realizable value	**4,852**	5,451

Contractual maturities

The contractual maturity of the portfolio outstanding as at December 31, excluding impaired receivables and assuming no prepayments, is as follows:

	2015			2014		
	Gross investment $	Unearned income $	Net investment $	Gross investment $	Unearned income $	Net investment $
Maturity						
Within 1 year	**5,855,156**	**(546,913)**	**5,308,243**	3,116,043	(334,952)	2,781,091
In 1 to 3 years	**8,367,743**	**(790,704)**	**7,577,039**	3,910,752	(383,310)	3,527,442
In 3 to 5 years	**2,937,369**	**(301,640)**	**2,635,729**	1,193,208	(124,031)	1,069,177
After 5 years	**799,310**	**(120,791)**	**678,519**	444,675	(73,125)	371,550
	17,959,578	**(1,760,048)**	**16,199,530**	8,664,678	(915,418)	7,749,260

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

5. EQUIPMENT UNDER OPERATING LEASES

The Company acts as a lessor in connection with operating leases and continues to recognize the leased assets in its consolidated statements of financial position. The lease payments received, net of depreciation, are recognized in net income as Rental revenue, net.

	December 31, 2015			
	Railcar	**Aviation**	**Fleet Vehicles**	**Total**
	$	$	$	$
COST				
At January 1, 2015	**1,168,265**	**132,483**	**—**	**1,300,748**
Additions	**992,354**	**91,722**	**147,994**	**1,232,070**
Business acquisitions	**—**	**—**	**1,336,609**	**1,336,609**
Transfers	**—**	**108,622**	**—**	**108,622**
Disposals	**(59,074)**	**(6,887)**	**(64,390)**	**(130,351)**
Foreign exchange rate adjustments	**289,444**	**50,343**	**103,464**	**443,251**
At December 31, 2015	**2,390,989**	**376,283**	**1,523,677**	**4,290,949**
ACCUMULATED DEPRECIATION				
At January 1, 2015	**14,593**	**6,485**	**—**	**21,078**
Depreciation charge for the period	**31,470**	**16,677**	**93,198**	**141,345**
Disposals	**(2,347)**	**—**	**(6,891)**	**(9,238)**
Foreign exchange rate adjustments	**5,215**	**2,448**	**3,548**	**11,211**
At December 31, 2015	**48,931**	**25,610**	**89,855**	**164,396**
Net carrying amount	**2,342,058**	**350,673**	**1,433,822**	**4,126,553**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

	December 31, 2014			
	Railcar	Aviation	Fleet Vehicles	Total
	$	$	$	$
COST				
At January 1, 2014	111,685	127,845	—	239,530
Additions	1,005,443	—	—	1,005,443
Disposals	(701)	(3,879)	—	(4,580)
Foreign exchange rate adjustments	51,838	8,517	—	60,355
At December 31, 2014	1,168,265	132,483	—	1,300,748
ACCUMULATED DEPRECIATION				
At January 1, 2014	—	475	—	475
Depreciation charge for the period	14,128	5,867	—	19,995
Disposals	(8)	(29)	—	(37)
Foreign exchange rate adjustments	473	172	—	645
At December 31, 2014	14,593	6,485	—	21,078
Net carrying amount	1,153,672	125,998	—	1,279,670

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

The future minimum lease payments arising from non-cancellable operating leases as at December 31, are shown in the following table:

	2015	**2014**
	$	$
Within 1 year	**747,664**	129,554
In 1 to 3 years	**894,093**	235,425
In 3 to 5 years	**351,364**	165,055
After 5 years	**210,795**	135,442
	2,203,916	665,476

Rental revenue, net, consists of the following for the years ended December 31:

	2015	**2014**
	$	**$**
Rental revenue	**305,291**	82,640
Amortization of equipment under operating leases	**(139,139)**	(19,995)
	166,152	62,645

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

6. INVESTMENT IN MANAGED FUND

On June 22, 2015, the Company acquired a 32.5% interest in ECAF I Holdings Ltd., which is the parent holding company of ECAF I LuxCo S.ár.l., an entity that has invested in Class E-1 notes of ECAF I Ltd., a rated pooled-aircraft asset backed securities issuer. ECAF I Ltd. has total assets of \$2,202.9 million and senior notes outstanding of \$1,656.0 million, and subordinated Class E-1 notes outstanding of \$442.9 million.

ECAF I Holdings Ltd. is accounted for using the equity method in the consolidated financial statements of the Company. The carrying amount of the Company's investment is \$154,012 as at December 31, 2015. The Company has recorded \$9,667 of income from its investment in associates for the year ended December 31, 2015, which has been included in interest income on the consolidated statements of operations.

The Company has also recognized \$15,428 in capital advisory fee revenue from the closing of the ECAF I Ltd. transaction during the year ended December 31, 2015.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

7. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	2015					
	Leasehold improvements	**Computer equipment**	**Office equipment**	**Land and buildings**	**Vehicles**	**Total**
	$	$	$	$	$	$
COST						
At January 1, 2015	**3,420**	**4,893**	**5,015**	**2,418**	**5,825**	**21,571**
Additions	**1,796**	**2,353**	**1,003**	**—**	**3,273**	**8,425**
Business acquisition *[note 22]*	**1,941**	**1,025**	**1,758**	**19,835**	**2,381**	**26,940**
Disposals	**(157)**	**(6)**	**(2)**	**—**	**(3,146)**	**(3,311)**
Foreign exchange rate adjustments	**442**	**725**	**638**	**1,391**	**587**	**3,783**
At December 31, 2015	**7,442**	**8,990**	**8,412**	**23,644**	**8,920**	**57,408**
ACCUMULATED DEPRECIATION						
At January 1, 2015	**440**	**1,488**	**1,419**	**48**	**1,156**	**4,551**
Disposals	**(156)**	**—**	**(1)**	**(1)**	**(681)**	**(839)**
Depreciation charge for the year	**597**	**1,424**	**1,320**	**338**	**1,555**	**5,234**
Foreign exchange rate adjustments	**29**	**98**	**194**	**28**	**92**	**441**
At December 31, 2015	**910**	**3,010**	**2,932**	**413**	**2,122**	**9,387**
Net carrying amount	**6,532**	**5,980**	**5,480**	**23,231**	**6,798**	**48,021**

	2014					
	Leasehold improvements	**Computer equipment**	**Office equipment**	**Land and buildings**	**Vehicles**	**Total**
	$	$	$	$	$	$
COST						
At January 1, 2014	730	2,444	3,198	—	2,149	8,521
Additions	1,889	3,081	1,101	—	2,493	8,564
Business acquisition *[note 22]*	767	65	1,555	2,264	2,607	7,258
Disposals	(35)	(718)	(1,028)	—	(1,558)	(3,339)
Foreign exchange rate adjustments	69	21	189	154	134	567
At December 31, 2014	3,420	4,893	5,015	2,418	5,825	21,571
ACCUMULATED DEPRECIATION						
At January 1, 2014	203	1,245	684	—	277	2,409
Disposals	(5)	(702)	(368)	—	(34)	(1,109)
Depreciation charge for the year	238	944	1,058	46	903	3,189
Foreign exchange rate adjustments	4	1	45	2	10	62
At December 31, 2014	440	1,488	1,419	48	1,156	4,551
Net carrying amount	2,980	3,405	3,596	2,370	4,669	17,020

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

8. INTANGIBLE ASSETS

	Computer software			Customer relationships			Total
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$	$	$	$
December 31, 2013	5,690	(2,414)	3,276	75,342	(1,655)	73,687	76,963
Additions	6,007	—	6,007	74	—	74	6,081
Business acquisition *[note 22]*	19,036	—	19,036	282,200	—	282,200	301,236
Amortization	—	(942)	(942)	—	(10,447)	(10,447)	(11,389)
Disposals/write-offs	(5,513)	1,414	(4,099)	—	4,640	4,640	541
Foreign exchange rate adjustments	1,423	(26)	1,397	17,136	(67)	17,069	18,466
December 31, 2014	26,643	(1,968)	24,675	374,752	(7,529)	367,223	391,898
Additions	**19,956**	**—**	**19,956**	**—**	**—**	**—**	**19,956**
Business acquisition *[note 22]*	**37,465**	**—**	**37,465**	**488,876**	**—**	**488,876**	**526,341**
Amortization	**—**	**(4,474)**	**(4,474)**	**—**	**(31,362)**	**(31,362)**	**(35,836)**
Disposals/write-offs	**(173)**	**103**	**(70)**	**—**	**1,391**	**1,391**	**1,321**
Foreign exchange rate adjustments	**9,253**	**(449)**	**8,804**	**71,826**	**(1,692)**	**70,134**	**78,938**
December 31, 2015	**93,144**	**(6,788)**	**86,356**	**935,454**	**(39,192)**	**896,262**	**982,618**

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

9. GOODWILL

	2015	2014
	$	$
Balance, beginning of year	**471,110**	105,710
Additions from new acquisitions *[note 22]*	**688,863**	343,886
Post-closing purchase price settlements for prior acquisitions	—	(2,000)
Foreign exchange rate adjustments	**102,707**	23,514
Balance, end of year	**1,262,680**	471,110

Goodwill has been allocated to the following CGUs:

	2015
	$
Fleet Management CGU	1,254,606
Other CGU	8,074
	1,262,680

For the purpose of impairment testing, the recoverable amount of the Fleet Management CGU has been determined based on its value-in-use. The value-in-use method is based on estimated future cashflows over a five year period referenced to the most recent financial forecasts approved by management and actual historic results, discounted to a present value. Beyond the initial five year period cash flows were estimated to grow at perpetual annual rates of up to 4%. The discount rates the Company applied in determining recoverable amount was 11.9%, which comprised a risk-free rate, equity risk premium, size premium and company-specific risk premium. The risk-free rate, equity risk premium and size premium were based on data from external sources, whereas the company-specific risk premium was based on factors considered by management to be specific to the business. The assumptions used were consistent with those observed in the Company's recent arms-length business acquisitions.

For the year ended December 31, 2014 the estimated recoverable amount of the Fleet Management CGU exceeded its carrying value and no impairment loss was recognized.

In considering the sensitivity of the key assumptions discussed above, management determined that there is no reasonable possible change in any of the above that would result in the carrying value of the Fleet Management CGU to exceed its recoverable value.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

10. SECURED BORROWINGS

Secured borrowings outstanding as at December 31 were as follows:

	December 31, 2015			
	Balance outstanding	**Weighted average interest rate (1)**	**Pledged finance receivables and equipment under operating leases**	**Cash reserves**
	$	**%**	**$**	**$**
Term notes, in amortization period	**4,103,237**	**1.20%**	**4,469,958**	**87,126**
Term notes, in revolving period	**1,176,400**	**0.99%**	**1,282,565**	**14,728**
Variable-funding notes	**4,862,051**	**1.31%**	**5,133,401**	**59,615**
Other	**2,749**	**5.00%**	**2,749**	**—**
Vehicle management asset-backed debt	**10,144,437**	**1.23%**	**10,888,673**	**161,469**
Life insurance company term funding facilities	**444,128**	**3.21%**	**426,699**	**45,921**
Securitization programs	**1,115,783**	**2.28%**	**1,459,003**	**42,640**
Asset-backed securities	**980,503**	**3.41%**	**1,185,449**	**25,140**
Term senior credit facility (2)	**5,243,840**	**2.60%**	**—**	**—**
	17,928,691	**1.86%**	**13,959,824**	**275,170**
Deferred financing costs	**(66,653)**			
	17,862,038			

	December 31, 2014			
	Balance outstanding	Weighted average interest rate (1)	Pledged finance receivables and equipment under operating leases	Cash reserves
	$	$	$	$
Term notes, in amortization period	1,603,795	0.90 %	1,706,520	53,740
Term notes, in revolving period	928,080	0.64 %	987,471	11,619
Variable-funding notes	2,304,015	1.83 %	2,430,823	36,873
Other	8,818	5.55 %	15,278	—
Vehicle management asset-backed debt	4,844,708	1.30 %	5,140,092	102,232
Life insurance company term funding facilities	572,956	3.42 %	544,683	56,531
Securitization programs	753,090	2.31 %	984,557	39,192
Asset-backed securities	505,824	3.37 %	679,390	14,520
Term senior credit facility (2)	1,106,072	2.83 %	—	—
	7,782,650	1.91 %	7,348,722	212,475
Deferred financing costs	(31,255)			
	7,751,395			

(1) Represents the weighted average stated interest rate of outstanding debt at year end, and excludes amortization of deferred financing costs, premiums or discounts, stand-by fees and the effects of hedging.
(2) Revolving senior credit facility is secured by a general security agreement in favour of the lenders consisting of a first priority interest on all property.

The Company was in compliance with all financial and reporting covenants with all of its lenders at December 31, 2015 and 2014.

Vehicle management asset-backed debt

Vehicle management asset-backed debt include term notes and variable-funding notes.

Term notes provide a fixed funding amount at the time of issuance.

For term notes, in amortization period, the monthly collection of lease payments allocable to the series is used in the repayment of principal until the notes are paid in full. The amortization period will continue through the earlier of: [i] 125 to 132 months following the commencement of the amortization period; or [ii] when the respective series of notes are paid in full. As at December 31, 2015, term notes, in amortization period had a weighted average floating interest rate of 1.20%, which ranged from 0.85% to 2.43% with expected maturities ranging from 2016 to 2019 [2014 - the weighted average interest was 0.90%, which ranged from 0.62% to 2.17%].

Term notes, in revolving period, contain provisions that allow the outstanding debt to revolve for a specified period of time. During the revolving period, the monthly collection of lease payments allocable to each outstanding series creates availability to fund the acquisition of vehicles and/or equipment to be leased to customers. Upon expiration of the revolving period, notes begin amortizing. As at December 31, 2015, term notes, in revolving period had a weighted average floating interest rate of 0.99%, which ranged from 0.93% to 2.18% with expected maturities in 2019 [2014 - the weighted average interest was 0.64%, which ranged from 0.59% to 1.72%].

Variable-funding notes provide a committed capacity which may be drawn upon as needed during a commitment period, which is primarily one to two years in duration. Similar to revolving term notes, the monthly collection of lease payments creates availability to fund the acquisition of vehicles and/or equipment to be leased to customers. Available committed capacity under variable-funding notes may be used to fund growth in net investment in fleet leases during the term of the commitment. As at December 31, 2015, variable-funding notes had a weighted average floating interest rate of 1.31%, which ranged from 1.05% to 2.73% with expected maturities in 2019 to 2024 [2014 - the weighted average interest was 1.83%, which ranged from 0.82% to 3.15%].

The notes are secured by either a security interest and/or legal ownership in direct financing leases and the Company is also required to maintain certain cash reserves as credit enhancements.

As at December 31, 2015, the Company has access to $3,475,456 [2014 - $975,903] of available financing under its vehicle management asset-backed debt facilities.

Life insurance company term funding facilities

Life insurance company term funding facilities are advanced to the Company on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables, with the terms of repayment designed to match the payment terms of the underlying finance receivables. These lenders receive either a security interest and/or legal ownership in direct financing leases. In addition, the Company must maintain certain cash reserves as credit enhancements. Interest rates are fixed at the time of each advance and are based on Government of Canada Bond yields with maturities comparable to the term of the underlying leases plus a premium ranging from 2.20% to 2.80% [2014 - 2.15% to 2.80%]. As at December 31, 2015, life insurance company term funding facilities had a weighted average fixed interest rate of 3.21%, which ranged from 2.99% to 3.92%, with tranche maturities ranging from 2015 to 2021 [2014 - the weighted average interest was 3.42%, which ranged from 3.37% to 3.96%].

The Company has access to committed lines of funding of $470,091 from four Canadian life insurance companies [December 2014 - $600,000 from four Canadian life insurance companies]. As at December 31, 2015, the Company had access to $245,855 [2014 - $318,376] of available financing under its life insurance company term funding facilities.

Securitization programs

Securitization programs are secured borrowings collateralized by a specific group of financial assets, through a security interest in the financial assets, and are repayable on the basis of the amounts collected from the related securitized finance receivables. These facilities consist of both variable-funding notes and term facilities, in amortizing periods.

Variable-funding notes provide a committed capacity which may be drawn upon as needed during a commitment period, which is primarily 364 days in duration. The monthly collection of lease payments creates availability to fund the acquisition of equipment to be leased to customers. Available committed capacity under variable-funding notes may be used to fund growth in net investment in finance leases during the term of the commitment. As at December 31, 2015, there were $956,057 variable-funding notes outstanding at a weighted average floating interest rate of 2.05%, which ranged from 1.78% to 3.22% with expected final maturities in 2022 [2014 - $587,108 and, a weighted average interest rate of 2.03%, which ranged from 1.67% to 3.41%].

For term facilities in amortization period, the monthly collection of lease payments allocable to the facility balance is used in repayment of principal until the facilities are paid in full. As at December 31, 2015, there were $159,726 term facilities in amortization period outstanding at a weighted average interest rate of 3.62%, which ranged from 3.61% to 4.30% with tranche maturities ranging from 2016 to 2019 [2014 - $165,983 and a weighted average interest rate of 3.29%, which ranged from 3.26% to 4.12%].

As at December 31, 2015, the Company had access to $336,986 [2014 - $360,085] of available financing from these securitization programs.

Asset-backed securities

Asset-backed securities are secured borrowings that are collateralized by a specific group of financial assets, through a security interest in the financial assets, and are repayable on the basis of the amounts collected from the related securitized finance receivables. Asset-backed securities debt consist of term notes in revolving period and term notes in amortization period.

Term notes in revolving period contain provisions that allow the outstanding debt to revolve for a specified period of time. During the revolving period, the monthly collection of lease payments allocable to each outstanding note creates availability to fund the acquisition of equipment to be leased to customers. Upon expiration of the revolving period, notes begin amortizing. As at December 31, 2015, there were no term notes outstanding [2014 - $120,906 and a weighted average interest rate of 3.21%].

For term notes in amortization period, the monthly collection of lease payments allocable to the series is used in repayment of principal until the notes are paid in full. As at December 31, 2015, there were $980,502 of term notes in amortization period outstanding at a weighted average fixed interest rate of 3.41%, with an expected final maturity in 2035 [2014 - $384,919, at a weighted average interest rate of 3.41%].

As at December 31, 2015, the Company had fully utilized the financing available from asset-backed securities [2014 - $499 was unutilized].

Term senior credit facility

The term senior credit facility is a $7,379,222 senior revolving facility which has been syndicated to a group of 24 Canadian, US and international banks which has a maturity date of August 31, 2018. As at December 31, 2015, $5,243,840 was drawn on this facility. This facility bears interest at the prime rate plus 0.45% or 1-month bankers' acceptance rate plus 1.45% per annum on outstanding Canadian denominated balances and US base rate plus 0.45% per annum or 1-month LIBOR rate plus 1.45% per annum on outstanding US denominated balances. Additionally, the facility bears interest at the 1-month Bank Bill Swap Bid Rate plus 1.45% per annum on outstanding Australian denominated balances and the 1-month Bank Bill Reference Rate plus 1.45% per annum on outstanding New Zealand denominated balances. The term senior credit facility is secured by a general security agreement in favour of the lenders consisting of a first priority interest on all property.

As at December 31, 2015, the Company had access to $2,135,382 [2014 - $843,928] of available financing from the term senior credit facility.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

Restricted funds

Restricted funds include [i] cash reserves of $275,170 as at December 31, 2015 [2014 - $212,475], which represents collateral for secured borrowing arrangements; and [ii] cash accumulated in the collection account of $331,390 as at December 31, 2015 [2014 - $223,213], which represents repayments received on assets financed pursuant to the secured borrowing facilities, which are subsequently remitted back to the facilities on specific dates.

Contractual maturity of secured borrowings

The contractual maturity of the secured borrowings gross of interest costs outstanding as at December 31, compared to the maturity of the gross investment in finance receivables and future minimum payments received on equipment under operating leases, is as follows:

	2015			2014		
	Secured borrowings gross of interest costs (1)	Finance receivables and equipment under operating leases (2)		Secured borrowings gross of interest costs (1)	Finance receivables and equipment under operating leases (2)	
Maturity	$	$	%	$	$	%
Within 1 year	**4,384,778**	**6,602,820**	**66.4%**	2,125,941	3,245,597	65.5%
In 1 to 3 years	**6,100,200**	**9,261,836**	**65.9%**	3,340,587	4,146,177	80.6%
In 3 to 5 years	**1,869,298**	**3,288,733**	**56.8%**	1,038,134	1,358,263	76.4%
After 5 years	**997,279**	**1,010,105**	**98.7%**	503,440	580,117	86.8%
	13,351,555	**20,163,494**	**66.2%**	7,008,102	9,330,154	75.1%
Interest costs	**(666,704)**			(331,524)		
Net of interest costs	**12,684,851**			6,676,578		
Revolving senior credit facility	**5,243,840**			1,106,072		
	17,928,691			7,782,650		

(1) Maturity schedule for secured borrowings gross of interest costs, has been calculated based on interest expense rates as at December 31, 2015 and exclude the impact of hedging, and assumes the interest rate remains unchanged for the remaining life of the debt, including floating rate credit facilities.

(2) Maturity schedule for finance receivables is based on the gross investment balance. For equipment under operating leases, the schedule is based on the existing contractual future minimum lease payments.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

11. CONVERTIBLE DEBENTURES

Convertible debentures consist of:

	December 31, 2015						
	Final maturity date	**Conversion price per share**	**Interest rate (1)**	**Face value**	**Deferred costs**	**Synthetic discount**	**Net carrying value**
		$	**%**	**$**	**$**	**$**	**$**
Issued on June 18, 2014	**June 30, 2019**	**17.85**	**5.125**	**345,000**	**(8,510)**	**(25,155)**	**311,335**
Issued on May 29, 2015	**June 30, 2020**	**23.80**	**4.250**	**575,000**	**(21,737)**	**(28,126)**	**525,137**
				920,000	**(30,247)**	**(53,281)**	**836,472**

	December 31, 2014						
	Final maturity date	**Conversion price per share**	**Interest rate (1)**	**Face value**	**Deferred costs**	**Synthetic discount**	**Net carrying value**
		$	**%**	**$**	**$**	**$**	**$**
Issued on June 18, 2014	June 30, 2019	17.85	5.125	345,000	(10,640)	(31,213)	303,147
				345,000	(10,640)	(31,213)	303,147

(1) Stated interest rate on face principal value.

May 29, 2015 Issuance

On May 29, 2015, the Company closed an offering of $575,000, 4.25% extendible convertible unsecured subordinated debentures [the "2015 Debentures"]. To determine the initial amount of the respective debt and equity components of the 2015 Debentures issued on May 29, 2015, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of 5.50% which represents the rate of interest prevailing at the date of issue for instruments of similar terms and risks. The debt component was assigned a value of $519,886 [net of transaction costs of $23,757] and the equity component was assigned a value of $30,356 [net of after-tax transaction costs of $1,002, and before the impact of deferred taxes].

The 2015 Debentures bear interest at an annual coupon rate of 4.25% payable semi-annually on the last day of June and December in each year, commencing on December 31, 2015. The maturity date for the 2015 Debentures was initially December 31, 2015 and was extended to June 30, 2020 on the closing of the acquisition of GE Capital's fleet operations *[note 22]*.

Each 2015 Debenture is convertible into common shares at the option of the holder of a Debenture at any time prior to 5:00 p.m. (Toronto time) on June 30, 2020, at a conversion price of $23.80 per common share [the "2015 Conversion Price"], subject to adjustment in accordance with the indenture agreement. Holders converting their 2015 Debentures will be entitled to receive, in addition to the applicable number of common shares to be received on conversion, accrued and unpaid interest thereon in cash for the period from the last interest payment date on their 2015 Debentures to, but excluding, the date of conversion.

The Company may redeem, subject to specified conditions and notice, on or after June 30, 2018 and prior to June 30, 2020, in whole or in part from time to time, at a redemption price equal to the principal amount plus accrued and unpaid interest, provided that the volume weighted trading price of the common shares on the TSX for the 20 consecutive days preceding the date on which notice of redemption is given is not less than 125% of the 2015 Conversion Price.

Subject to required regulatory approvals and provided that there is not a current 2015 Debenture event of default, the Company may, at its option and with notice, elect to repay, in whole or in part, the principal amount of the 2015 Debentures which are to be redeemed or which have matured by issuing common shares to the holders of the 2015 Debentures. Payment would be satisfied by delivering that number of common shares obtained by dividing the principal amount of the 2015 Debentures to be redeemed or that have matured, by 95% of the current market price of the common shares on the redemption date or maturity date. Any accrued and unpaid interest will be paid in cash.

June 18, 2014 Issuance

On June 18, 2014, the Company closed an offering of $345,000, 5.125% extendible convertible unsecured subordinated debentures [the "2014 Debentures"]. To determine the initial amount of the respective debt and equity components of the 2014 Debentures issued on June 18, 2014, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of 7.5% which represents the rate of interest prevailing at the date of issue for instruments of similar terms and risks. The debt component was assigned a value of $299,264 [net of transaction costs of $11,660] and the equity component was assigned a value of $33,135 [net of after-tax transaction costs of $941, and before the impact of deferred taxes].

The 2014 Debentures bear interest at an annual coupon rate of 5.125% payable semi-annually on the last day of June and December in each year, commencing on December 31, 2014. The maturity date for the 2014 Debentures was initially December 31, 2014 and was extended to June 30, 2019 on the closing of the acquisition of PHH Corporation's fleet management business ["PHH Arval"] on July 7, 2014.

Each 2014 Debenture is convertible into common shares at the option of the holder of a 2014 Debenture at any time after July 7, 2014 and prior to 5:00 p.m. (Toronto time) on June 30, 2019, at a conversion price of $17.85 per common share [the "2014 Conversion Price"], representing a conversion rate of approximately 56.0224 common shares per $1,000 principal amount of 2014 Debentures, subject to adjustment in accordance with the indenture agreement. Holders converting their 2014 Debentures will be entitled to receive, in addition to the applicable number of common shares to be received on conversion, accrued and unpaid interest thereon in cash for the period from the last interest payment date on their 2014 Debentures to, but excluding, the date of conversion.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

The Company may redeem, subject to specified conditions and notice, on or after June 30, 2017 and prior to June 30, 2019, in whole or in part from time to time, at a redemption price equal to the principal amount plus accrued and unpaid interest, provided that the current market price of the common shares on the date on which notice of redemption is given exceeds 125% of the 2014 Conversion Price.

Subject to required regulatory approvals and provided that there is not a current 2014 Debenture event of default, the Company may, at its option and with notice, elect to repay, in whole or in part, the principal amount of the 2014 Debentures which are to be redeemed or which have matured by issuing common shares to the holders of the 2014 Debentures. Payment would be satisfied by delivering that number of common shares obtained by dividing the principal amount of the 2014 Debentures to be redeemed or that have matured, by 95% of the current market price of the common shares on the redemption date or maturity date. Any accrued and unpaid interest will be paid in cash.

12. SHARE CAPITAL

The Company is currently authorized to issue [i] an unlimited number of common shares without nominal or par value and [ii] an unlimited number of preferred shares, issuable in series.

	Common shares	
	Shares	**Amount**
	#	$
Balance, December 31, 2014	**264,059,081**	**2,248,103**
Exercise of options	**2,340,469**	**25,754**
Issuance of shares, net of costs	**119,735,000**	**1,955,991**
Balance, December 31, 2015	**386,134,550**	**4,229,848**
Balance, December 31, 2013	188,935,301	1,323,897
Exercise of options	597,958	6,081
Exercise of non-employee options	109,322	155
Issuance of shares, net of costs	74,416,500	917,891
Effects of changes in future tax rates on share issue costs	—	79
Balance, December 31, 2014	264,059,081	2,248,103

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[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

Common shares

On May 29, 2015, to fund future acquisitions, the Company closed an offering of 119,735,000 subscription receipts at a price of $17.00 per subscription receipt for gross proceeds of $2,035,495. The net proceeds were released to the Company on August 31, 2015 upon the closing of the acquisition of GE Capital's fleet management operations in the US *[note 22]*. Concurrently the subscription receipts were exchanged for 119,735,000 common shares. The issuance included pre-tax transaction costs of $107,747 [or after-tax transaction costs of $79,504].

On June 18, 2014, in connection with Company's acquisition of PHH Arval, the Company closed its offering of 74,416,500 subscription receipts at a price of $12.75 per subscription receipt for gross proceeds of $948,810. The net proceeds were released to the Company on July 7, 2014 upon the satisfaction of the closing conditions of the PHH Arval acquisition *[note22],* and the subscription receipts were exchanged for 74,416,500 common shares. The issuance included pre-tax transaction costs of $41,989 [or after-tax transaction costs of $30,919].

	Preferred Shares, Series A		Preferred Shares, Series C		Preferred Shares, Series E		Preferred Shares, Series G	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**
	#	$	#	$	#	$	#	$
Balance, December 31, 2014	**4,600,000**	**110,375**	**5,126,400**	**124,744**	**5,321,900**	**129,994**	—	—
Issance of shares, net of costs	—	—	—	—	—	—	**6,900,000**	**168,543**
Balance, December 31, 2015	**4,600,000**	**110,375**	**5,126,400**	**124,744**	**5,321,900**	**129,994**	**6,900,000**	**168,543**
Balance, December 31, 2013	4,600,000	110,387	—	—	—	—	—	—
Issance of shares, net of costs	—	—	5,126,400	124,744	5,321,900	129,994	—	—
Effects of changes in future tax rates on share issue costs	—	(12)	—	—	—	—	—	—
Balance December 31, 2014	4,600,000	110,375	5,126,400	124,744	5,321,900	129,994	—	—

Preferred shares

On May 29, 2015, the Company issued, through a public offering, 6,900,000 6.50% Cumulative 5-Year Rate Reset Preferred Shares, Series G ["Series G shares"] at a price of $25.00 per preferred share for gross proceeds of $172,500. The issuance included pre-tax transaction costs of $5,551 [or after-tax transaction costs of $3,957].

For each five-year period, holders of the Series G shares are entitled to receive a fixed, cumulative, preferential cash dividend, if, as and when declared by the Board of Directors, payable quarterly on the last business day of March, June, September and December in each year. The annual dividend rate will reset at each five-year period to the non-callable Government of Canada bond yield with a term to maturity of five years plus 5.34%. The Company will have the right to redeem the Series G shares on September 30, 2020, and on September 30 every five years thereafter for $25 per Series G share, plus accrued and unpaid dividends. Subject to the right of the Company to redeem the Series G shares, the holders of the Series G shares will have the right on September 30, 2020, and on September 30 every five years thereafter, to convert all or any of the Series G shares into Series H shares, on the basis of one Series H share for each Series G share converted. Holders of Series H shares are entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last business day of March, June, September and December in each year. The annualized floating quarterly dividend rate will equal the sum of the average three-month Government of Canada Treasury Bill rate plus 5.34%.

On June 18, 2014, the Company issued, through a public offering, 5,000,000 6.40% Cumulative 5-Year Rate Reset Preferred Shares, Series E ["Series E shares"] at a price of $25.00 per preferred share for gross proceeds of $125,000. On July 8, 2014, the underwriters to the prospectus offering exercised their over-allotment option that resulted in the issuance of 321,900 Series E preferred shares at a price of $25 per share for gross proceeds of $8,048. The issuance included pre-tax transaction costs of $4,146 [or after-tax transaction costs of $3,054].

For each five-year period, holders of the Series E shares are entitled to receive a fixed, cumulative, preferential cash dividend, if, as and when declared by the Board of Directors, payable quarterly on the last business day of March, June, September and December in each year. The annual dividend rate will reset at each five-year period to the non-callable Government of Canada bond yield with a term to maturity of five years plus 4.72%. The Company will have the right to redeem the Series E shares on September 30, 2019, and on September 30 every five years thereafter for $25 per Series E share, plus accrued and unpaid dividends. Subject to the right of the Company to redeem the Series E shares, the holders of the Series E shares will have the right on September 30, 2019, and on September 30 every five years thereafter, to convert all or any of the Series E shares into Series F shares, on the basis of one Series F share for each Series E share converted. Holders of Series F shares are entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last business day of March, June, September and December in each year. The annualized floating quarterly dividend rate will equal the sum of the average three-month Government of Canada Treasury Bill rate plus 4.72%.

On March 7, 2014, the Company issued, through a public offering, 5,126,400 6.50% Cumulative 5-Year Rate Reset Preferred Shares, Series C ["Series C shares"] at a price of $25.00 per preferred share for gross proceeds of $128,160. The issuance included pre-tax transaction costs of $4,639 [or after-tax transaction costs of $3,416].

For each five-year period, holders of the Series C shares are entitled to receive a fixed, cumulative, preferential cash dividend, if, as and when declared by the Board of Directors, payable quarterly on the last business day of March, June, September and December in each year. The annual dividend rate will reset at each five-year period to the non-callable Government of Canada bond yield with a term to maturity of five years plus 4.81%. The Company will have the right to redeem the Series C shares on June 30, 2019, and on June 30 every five years thereafter for $25 per Series C share, plus accrued and unpaid dividends. Subject to the right of the Company to redeem the Series C shares, the holders of the Series C shares will have the right on June 30, 2019, and on June 30 every five years thereafter, to convert all or any of the Series C shares into Series D shares, on the basis of one Series D share for each Series C share converted. Holders of Series D shares are entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last business day of March, June, September and December in each year. The annualized floating quarterly dividend rate will equal the sum of the average three-month Government of Canada Treasury Bill rate plus 4.81%.

On December 17, 2013, the Company issued, through a public offering, 4,600,000 6.60% Cumulative 5-Year Rate Reset Preferred Shares, Series A ["Series A shares"] at a price of $25.00 per preferred share for gross proceeds of $115,000. The issuance included pre-tax transaction costs of $6,281 [or after-tax transaction costs of $4,613], inclusive of $2,119 in key management compensation.

For each five-year period, holders of the Series A shares are entitled to receive a fixed, cumulative, preferential cash dividend, if, as and when declared by the Board of Directors, payable quarterly on the last business day of March, June, September and December in each year. The annual dividend rate will reset at each five-year period to the non-callable Government of Canada bond yield with a term to maturity of five years plus 4.71%. The Company will have the right to redeem the Series A shares on December 31, 2018, and on December 31 every five years thereafter for $25 per Series A share, plus accrued and unpaid dividends. Subject to the right of the Company to redeem the Series A shares, the holders of the Series A shares will have the right on December 31, 2018, and on December 31 every five years thereafter, to convert all or any of the Series A shares into Series B shares, on the basis of one Series B share for each Series A share converted. Holders of Series B shares are entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last business day of March, June, September and December in each year. The annualized floating quarterly dividend rate will equal the sum of the average three-month Government of Canada Treasury Bill rate plus 4.71%.

Preferred shares dividends

During the year ended December 31, 2015, the Company paid $31,047 in preference share dividends [2014 - 19,199].

As at December 31, 2015, the unaccrued cumulative preference share dividends were $98 [2014 - $67].

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

13. SHARE-BASED COMPENSATION

Share-based compensation expense consists of the following for the year ended December 31:

	2015 **$**	**2014** **$**
[a] Stock options	**29,819**	16,212
[b] Deferred share units	**3,433**	1,943
[c] Performance share units	**22,485**	11,370
	55,737	29,525

Allocated as:		
Share-based compensation	**34,197**	18,851
Transaction and integration costs *[note 22]*	**21,540**	10,674
	55,737	29,525

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[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

[a] Stock options

The changes in the number of stock options during the years ended December 31, were as follows:

	Number of options #	Weighted average exercise price $
Outstanding, December 31, 2013	14,388,494	8.56
Granted	3,383,266	14.05
Forfeited	(168,386)	13.42
Exercised (1)	(747,958)	7.03
Outstanding, December 31, 2014	16,855,416	9.68
Granted	**8,461,877**	**16.43**
Forfeited	**(401,137)**	**13.83**
Expired	**(39,730)**	**8.34**
Exercised (1)	**(2,522,572)**	**8.35**
Outstanding, December 31, 2015	**22,353,854**	**12.31**

(1) Weighted average share price of options exercised during 2015 was $18.14 [2014 - $13.49]

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[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

The cost of the options granted during the years ended December 31 was determined using the Black‑Scholes option valuation model with inputs to the model as follows:

	Unit	2015	2014
Weighted average share price	$	**16.43**	14.05
Average term to exercise	Years	**7.0**	7.0
Share price volatility	%	**27.7**	31.0
Weighted average expected annual dividend yield	%	**0**	0
Risk-free interest rate	%	**1.02**	1.87
Forfeiture rate	%	**1.02**	1.02

As at December 31, 2015, the following employee and director stock options to purchase common shares were outstanding:

		Options outstanding		
Range of exercise prices	**Weighted average remaining life [in years]**	**Vested #**	**Unvested #**	**Total #**
$0.00 to $5.00	**2.46**	**2,568,700**	**—**	**2,568,700**
$5.01 to $10.00	**3.84**	**3,110,817**	**847,497**	**3,958,314**
$10.01 to $15.00	**4.87**	**4,112,970**	**3,661,493**	**7,774,463**
$15.01 and over	**6.24**	**—**	**8,052,377**	**8,052,377**
	5.21	**9,792,487**	**12,561,367**	**22,353,854**

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

[b] Deferred share units and Performance share units

	Number of Deferred Share Units #	Number of Performance Share Units #
Outstanding, December 31, 2013	1,401,264	—
Granted	126,671	1,389,033
Redeemed	(3,482)	—
Outstanding, December 31, 2014	1,524,453	1,389,033
Granted	**131,783**	**2,555,751**
Forfeited	—	**(8,742)**
Redeemed	**(205,715)**	**(1,713,090)**
Outstanding, December 31, 2015	**1,450,521**	**2,222,952**

[i] Deferred share units

As at December 31, 2015, the fair value of DSUs recorded on the consolidated statements of financial position as accounts payable and accrued liabilities was $24,224 [2014 – $21,556].

[ii] Performance share units

As at December 31, 2015, 2,222,952 PSUs remain unvested and outstanding and the fair value of PSUs recorded on the consolidated statements of financial position as accounts payable and accrued liabilities was $11,547 [2014 – 1,389,033 unvested PSUs and $11,441, respectively]. The PSUs vest on achievement of specific performance conditions over 2016 and 2017.

[iii] Hedging of DSUs and PSUs

As at December 31, 2015, the Company has hedged 3,653,456 share units, and has net derivative assets of $1,703 which will be applied to the settlement of DSU and PSU awards [2014 - 2,858,684 share units hedged and net derivative asset of $448].

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[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

14. MANAGEMENT FEES AND OTHER REVENUES

Management fees and other revenues consist of the following for the years ended December 31:

	2015	2014
	$	$
Syndication fees	**33,972**	20,630
Capital advisory fees	**16,912**	—
Fleet management and servicing fees (1)	**233,470**	86,450
Prepayment charges	**10,489**	6,211
Others	**10,888**	12,464
	305,731	125,755

(1) Net of cost of goods sold of $48,713 [2014 - 23,544].

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

15. INCOME TAXES

[a] The major components of income tax expense for the years ended December 31 are as follows:

	2015 $	2014 $
Consolidated statements of operations		
Current income tax expense	**41,516**	21,420
Deferred income tax benefit		
Origination and reversal of temporary differences	**(58,265)**	(17,321)
Income tax expense (benefit) reported in the consolidated statements of operations	**(16,749)**	4,099
Income tax benefit reported in the consolidated statements of changes in shareholders' equity	**(29,466)**	(13,208)

[b] Reconciliation of effective tax rate for the years ended December 31:

	2015 $	2014 $
Income before income taxes	**157,682**	58,168
Combined statutory Canadian federal and provincial tax rate	**26.49%**	26.36%
Income tax expense based on statutory rate	**41,770**	15,333
Income taxes adjusted for the effect of:		
Non-deductible and non-taxable items	**(51,010)**	(11,317)
Foreign rate differential	**(6,921)**	81
Adjustments of prior year taxes and other	**(588)**	2
Total income tax expense (benefit)	**(16,749)**	4,099

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[c] Deferred taxes:

[i] Deferred taxes relate to the following:

	Year ended December 31, 2015	Change through net income or loss	Change through shareholders' equity	Change through OCI	Acquisitions	Year ended December 31, 2014
	$	$	$	$	$	$
Deferred tax assets						
Shares and special warrants issuance and tax costs	**38,616**	—	20,363	—	—	18,253
Finance receivables	**33,433**	15,137	—	—	1,218	17,078
Tax loss carry forwards	**766,544**	634,708	—	—	—	131,836
Transaction and integration costs	**68,445**	52,677	—	—	(843)	16,611
Ontario Corporate Minimum Tax Credit carry forwards	**1,657**	—	—	—	—	1,657
Capital assets, intangibles, and other	**—**	—	—	—	—	—
Deferred share units	**5,208**	(815)	—	—	—	6,023
Unrealized foreign exchange gains and losses	**22,268**	193	—	13,328	—	8,747
	936,171	701,900	20,363	13,328	375	200,205
Deferred tax liabilities						
Finance receivables	**794,204**	632,770	—	—	1,135	160,299
Convertible debentures	**17,289**	—	17,289	—	—	—
Intangible assets arising from acquisitions	**19,440**	606	—	—	(591)	19,425
Capital assets, intangibles, and other	**21,260**	10,139	—	—	4,923	6,198
Unrealized foreign exchange gains and losses	**698**	120	—	—	—	578
	852,891	643,635	17,289	—	5,467	186,500
Net deferred tax asset (liability) position	**83,280**	58,265	3,074	13,328	(5,092)	13,705
Reported in						
Deferred tax assets [1]	**142,563**					39,405
Deferred tax liabilities [1]	**59,283**					25,700

[1] Deferred tax assets and liabilities are presented on the consolidated statements of financial position net by entity.

Management has concluded the deferred tax asset of $936,171 meets the relevant recognition criteria under IFRS. Management's conclusion is supported by embedded profits in existing finance receivables and the future reversal of existing taxable temporary differences which are expected to produce sufficient taxable income to realize the deferred tax asset.

[ii] There are no unused tax losses and temporary differences that have not been recognized for the year ended December 31, 2015.

16. SUBSIDIARIES

[a] List of significant subsidiaries

The table below provides details of the significant subsidiaries of the Company, all of which are wholly-owned:

	Principal place of business
Element Financial (US) Corp.	US
Element Funding U.S. LLC	US
Element Rail Leasing I LLC	US
Element Rail Leasing II LLC	US
Element Vehicle Management Services LLC	US
Chesapeake Finance Holdings LLC	US
Cheasapeake Finance Holdings II LLC	US
Chesapeake Funding LLC	US
Chesapeake Funding II LLC	US
Gelco Corporation	US
HeliFleet 2013-01 LLC	US
Element Aviation Inc.	Canada
Element Commercial Finance LP	Canada
Element Finance Inc.	Canada
Element Fleet Management Inc.	Canada
Element Fleet Management II Inc.	Canada
Element Fleet Lease Receivable LP	Canada
Element Rail Leasing Canada LP	Canada
GE Fleet Services Pty Ltd	Australia
Custom Fleet NZ	New Zealand
Element Fleet Management Corporation Mexico S.A. de C.V.	Mexico

[b] Subsidiaries with restrictions

The Company has restrictions on its ability to access or use its assets and settle its liabilities in Element Funding U.S. LLC, Element Rail Leasing I LLC, Element Rail Leasing II LLC, Chesapeake Finance Holdings LLC, Chesapeake Finance Holdings LLC, Chesapeake Funding LLC, Chesapeake Funding II LLC, HeliFleet 2013-01 LLC, Element Commercial Finance LP, Element Fleet Lease Receivable LP and Element Rail Leasing Canada LP. These subsidiaries facilitate the transfer of financial assets and related property or interests, in connection with funding facilities, and the activities of these entities are governed by their constituting agreements and debt agreements. Assets held as collateral by these subsidiaries for such funding facilities are not available to satisfy the claims of creditors of the Company. The carrying amounts of assets and liabilities in subsidiaries with significant restrictions as at December 31, 2015 was $13,348,958 and $11,542,950, respectively [2014 - $6,882,636 and $5,806,421, respectively].

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

17. RELATED PARTY TRANSACTIONS

Notes Receivable

Notes receivable of $50,819 as at December 31, 2015 [2014 - $45,299] represent loans to certain employees and officers of the Company. These loans bear interest at a rate of 3% per annum. Interest is payable monthly or annually, and the principal is payable on demand in the event of non-payment of interest. The loans were granted in order to help finance the purchase of the Company's shares and are secured by the shares purchased with full recourse to the employee.

The changes in the notes receivable during the years ended December 31, were as follows:

	2015 $	2014 $
Notes receivable, beginning of year	**45,299**	35,239
Additions	**8,696**	9,152
Interest income	**1,335**	1,107
Repayments [interest and principal]	**(4,511)**	(199)
Notes receivable, end of year	**50,819**	45,299

Compensation of directors and key management

The remuneration of directors and key management personnel of the Company were as follows for the years ended December 31:

	2015 $	2014 $
Salaries, bonuses and benefits	**26,636**	13,860
Share-based compensation	**45,101**	11,658
	71,737	25,518

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

18. EARNINGS PER SHARE

Basic earnings per share is as follows for the years ended December 31:

	2015	2014
Net income attributable to shareholders	**$ 174,431**	$ 54,069
Cumulative dividends on preferred shares	**$ (31,047)**	$ (18,935)
Net income available to common shareholders	**$ 143,384**	$ 35,134
Weighted average number of common shares outstanding - basic [number]	**305,230,121**	225,289,039
Basic earnings per share	**$ 0.47**	$ 0.16

Diluted earnings per share is as follows for the years ended December 31:

	2015	2014
Net income available to common shareholders adjusted for the effects of dilution	**$ 143,384**	$ 35,134
Weighted average number of common shares outstanding - basic [number]	**305,230,121**	225,289,039
Dilutive stock options and warrants [number]	**6,151,209**	4,855,886
Weighted average number of common shares outstanding - diluted [number]	**311,381,330**	230,144,925
Diluted earnings per share	**$ 0.46**	$ 0.15

Instruments outstanding at December 31, 2015 that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were anti-dilutive, include 8,988,176 stock options for the year ended December 31, 2015 [2014 - 6,084,006].

In addition, the convertible debentures *[note 11]* were excluded from the diluted earnings per share calculation as these were anti-dilutive for the years ended December 31, 2015 and 2014.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

19. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, and consistent with its risk management program, the Company enters into interest rate derivatives to manage interest rate risk, foreign exchange forward agreements to manage foreign currency exposure, and total return swaps to manage exposure to share-based compensation.

Cash flow hedging relationships

The Company has entered into interest rate swap agreements whereby the Company pays a fixed rate of interest based on the proportion of the fixed rate finance receivables collateralized in secured borrowing arrangements and receives a floating rate of interest based on the Canadian bankers' acceptance rate, US LIBOR rate, Australian Bank Bill Swap Bid Rate or the New Zealand Bank Bill Reference Rate, depending on the currency of the secured borrowings. Similarly, the Company has entered into interest rate cap contracts whereby the Company will receive payments if the floating rate exceeds the cap strike price.

These hedge transactions are designed to provide the Company with a fixed rate of return on its finance receivables, net of interest paid on secured borrowing agreements.

To mitigate the foreign exchange risk on finance receivables denominated in US dollars and other foreign currencies, the Company may use foreign exchange forward agreements, foreign exchange flat forward agreements and/or foreign denominated debt.

The following table presents the fair value changes related to the cash flow hedges included in the Company's results for the year ended December 31:

	2015 **$**	**2014** **$**
Foreign exchange agreements recorded in other revenue	**(10,962)**	(12,319)
Fair value change recorded in other revenue from hedge ineffectiveness	**—**	35
Fair value changes recorded in other comprehensive income	**(46,389)**	(10,298)

Hedges of net investment in foreign operations

The Company may use foreign exchange forward agreements, foreign exchange option collars, and/or foreign denominated debt to hedge its net investment in foreign subsidiaries. Gains or losses on the hedging instrument are transferred to equity to offset any gains or losses on the translation of the net investment in foreign subsidiaries. During the year ended December 31, 2015, foreign exchange losses of $154,754 on hedging instruments was recognized in other comprehensive income (loss) [2014 – nil].

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[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

Notional amounts and fair values of derivative instruments

The following table summarizes the notional principal and fair values of the derivative financial instruments outstanding:

	Remaining term to maturity					
	Within 1 year $	1 to 3 years $	3 to 5 years $	Greater than 5 years $	December 31, 2015 $	December 31, 2014 $
Notional principal						
Derivative assets						
Interest rate contracts	**1,387,866**	**1,904,129**	**1,069,455**	**289,494**	**4,650,945**	886,338
Foreign exchange agreements	**124,163**	**247,394**	**1,685**	**2,861**	**376,102**	35,875
Total return swaps	**26,721**	—	—	—	**26,721**	30,596
	1,538,750	**2,151,523**	**1,071,140**	**292,355**	**5,053,768**	952,809
Derivative liabilities						
Interest rate contracts	**996,073**	**3,852,091**	**391,691**	**354,725**	**5,594,581**	1,927,943
Foreign exchange agreements	**536,808**	**1,291**	—	—	**538,098**	172,227
Total return swaps	**32,588**	—	—	—	**32,588**	9,377
	1,565,469	**3,853,382**	**391,691**	**354,725**	**6,165,267**	2,109,547
Fair values						
Restricted funds - collateral posted					**13,310**	7,550
Derivative assets						
Interest rate contracts	**(256)**	**6,746**	**3,974**	**1,011**	**11,474**	3,643
Foreign exchange agreements	**185**	**1,190**	**19**	**32**	**1,427**	1,426
Total return swaps	**5,213**	—	—	—	**5,213**	677
	5,142	**7,936**	**3,993**	**1,043**	**18,114**	5,746
Derivative liabilities						
Interest rate contracts	**2,786**	**11,622**	**3,618**	**4,568**	**22,594**	10,548
Foreign exchange agreements	**6,705**	**550**	—	—	**7,255**	419
Total return swaps	**3,510**	—	—	—	**3,510**	229
	13,001	**12,172**	**3,618**	**4,568**	**33,359**	11,196

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

Fair values of derivatives designated in hedging relationships

The following table summarizes the fair values of the derivative financial instruments designated in an accounting hedging relationships, as at December 31:

	2015 $	2014 $
Interest rate contracts	**(11,120)**	(6,843)
Foreign exchange agreements	**(5,828)**	1,007
Total return swaps	**1,703**	448
	(15,245)	(5,388)

Offsetting of Derivative Assets and Liabilities

The following tables present a summary of the Company's derivative portfolio, which includes the gross amounts of recognized financial assets and liabilities; the amounts offset in the consolidated statements of financial position; the net amounts presented in the consolidated statements of financial position; the amounts subject to an enforceable master netting arrangement or similar agreement that were not included in the offset amount above; and the amount of cash collateral received or pledged.

				Amounts subject to an enforceable master netting arrangement or similar agreement that are not set-off in the Statements of Financial Position		
	Gross amounts of recognized financial instruments before netting on the Statements of Financial Position	Gross amounts of recognized financial instruments set-off in the Statements of Financial Position	Net amount of financial instruments presented in the Statements of Financial Position	Amounts subject to an enforceable master netting agreement	Collateral	Net Amount
As at December 31, 2015						
Derivative financial instrument assets	**18,114**	—	**18,114**	**11,189**	—	**6,925**
Derivative financial instrument liabilities	**33,359**	—	**33,359**	**11,189**	**13,310**	**8,860**
As at December 31, 2014						
Derivative financial instrument assets	5,746	—	5,746	1,282	—	4,464
Derivative financial instrument liabilities	11,196	—	11,196	1,282	7,550	2,364

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

20. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value.

The Company's capitalization is as follows:

	December 31, 2015	**December 31, 2014**
	$	$
Secured borrowings	**17,862,038**	7,751,395
Convertible debentures	**836,472**	303,147
Total debt	**18,698,510**	8,054,542
Accounts payable and accrued liabilities	**654,638**	368,113
	19,353,148	8,422,655
Shareholders' equity	**5,717,555**	2,830,951
	25,070,703	11,253,606

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21. SEGMENTED INFORMATION

For management purposes, the Company is organized into one business segment, which primarily operates in Canada, US and Other.

Geographic information as at and for the years ended December 31, is as follows:

	2015				2014			
	Canada	US	Other (1)	Total	Canada	US	Other	Total
	$	$	$	$	$	$	$	$
Financial revenue	**276,550**	**708,176**	**78,094**	**1,062,820**	225,985	242,364	5,974	474,323
Interest expense				**(304,821)**				(140,383)
Net financial income				**757,999**				333,940
Select assets (1)								
Finance receivables	**2,919,970**	**13,890,340**	**744,986**	**17,555,296**	3,200,511	5,177,912	87,566	8,465,989
Equipment under operating leases	**422,283**	**2,202,354**	**1,501,916**	**4,126,553**	112,990	1,145,774	20,906	1,279,670
Goodwill	**111,400**	**1,151,280**	**—**	**1,262,680**	111,399	359,711	—	471,110
Other	**151,450**	**831,517**	**47,672**	**1,030,639**	115,686	293,232	—	408,918
	3,605,103	**18,075,491**	**2,294,574**	**23,975,168**	3,540,586	6,976,629	108,472	10,625,687

(1) The Company is in the process of finalizing the classification of finance receivables and equipment under operating leases, and the allocation of the purchase price for the acquisition of the GE Capital fleet management operations that closed on August 31, 2015 for the US operations, and September 30, 2015 for the Mexico, Australia and New Zealand operations, refer to note 22.

Geographic net financial income, excluding interest expense ["Financial revenue"] is based on the location of customers and non-current assets are based on the location of the assets.

22. BUSINESS ACQUISITION

Acquisition of General Electric Company ["GE"] fleet management businesses

On August 31, 2015, the Company completed the acquisition of GE Capital's fleet management operations in the US, and on September 30, 2015, completed the acquisition of GE Capital's fleet management operations in Mexico, Australia and New Zealand [collectively, the "GE Fleet Operations"].

The Company completed the transaction for cash consideration of $8,917,379. The purchase price was substantially funded from an increase in the senior facility and funds raised from an equity financing which closed on May 29, 2015.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

The following table summarizes the preliminary fair value assigned to the assets acquired and liabilities assumed at the acquisition dates:

	August 31, 2015 and September 30, 2015 $
Assets acquired	
Finance receivables [net of acquired allowance for credit losses of $8,974]	6,448,890
Equipment under operating leases	1,336,609
Accounts receivables and other	41,458
Property, equipment and leasehold improvements	26,940
Other assets	6,458
Intangible assets	526,341
Deferred tax assets	10,328
Goodwill	688,863
	9,085,887
Liabilities assumed	
Accounts payable and accrued liabilities	166,356
Income taxes, current and deferred	14,561
	180,917
	8,904,970
Source of financing	
Cash, net of cash acquired of $12,409	8,904,970

The excess purchase consideration over the preliminary estimated net fair value of financial and other tangible and intangible assets acquired of $688,863 has been allocated to goodwill on a preliminary basis.

The fair value and cost assigned to the customer relationships acquired of $488,876, and included in intangible assets in the above table was determined using a discounted cash flow methodology, including a five-year forecast and a terminal value using a long term growth rate of 2.0%. A discount rate of 11.9% was used, which comprised a risk-free rate, equity risk premium, size premium and company-specific risk premium. The risk-free rate, equity risk premium and size premium were based on data from external sources, whereas the company-specific risk premium was based on factors considered by management to be specific to the business.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

In connection with this acquisition, the Company incurred the following transaction and integration costs for the year ended:

	December 31, 2015 $
Transaction costs	
Compensation expenses	**23,724**
Performance share units expense	**14,701**
Legal, investment banking fees and due diligence	**73,424**
Financing charges	**28,579**
Others	**5,573**
	146,001
Integration costs	
Performance share units expense (1)	**5,592**
Data migration and disentanglement of operations	**3,635**
Staff rationalization	**23,354**
Abandonment of leased premises and related charges	**1,335**
Others	**1,089**
	35,005
Total transaction and integration costs related to the acquisition of GE Capital's fleet management operations	**181,006**
Transaction and integration costs related to prior acquisitions	**22,277**
Total transaction and integration costs	**203,283**

(1) Total grant date fair value of performance share units granted was $30,963, of which $25,371 has been deferred as at December 31, 2015 and will be recognized over the performance period, and vest upon the achievement and satisfaction of integration targets.

Compensation expense and performance-based compensation expense represent compensation related payment granted and payable to over 140 key personnel in connection with the acquisition and integration of the GE Fleet Operations.

The performance-based compensation expense represent share-based compensation payable in the form of PSUs as either retention payments and/or integration incentives to be vested upon the achievement and satisfaction of integration targets.

Included in compensation expense is an amount of $15,148 paid to key management personnel. Included in performance-based compensation expense is an amount of $25,222, accrued to key management personnel upon and conditional on the achievement of integration targets.

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In addition, the Company expects to invest US $75 million in its information technology infrastructure and systems over the next eighteen months to enhance its Fleet customer facing solutions and functionalities, as well as to provide additional capacity. Of this amount, approximately $25 million is expected to be recorded as integration costs and the remaining $50 million is expected to be treated as additional computer software intangible assets and/or property and equipment.

As at December 31, 2015, $36,183 of transaction and integration costs related to the GE Fleet Transaction remain payable and are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

Since the date of acquisition, the GE Fleet Operations has contributed $153,247 in net financial income and $77,133 in operating profits before income taxes [net income before acquisition costs, integration costs and income taxes].

The Company has used a significant amount of judgment and simplifying assumptions in estimating the net finance income and net income before business acquisition costs and income taxes of the GE Fleet Operations had the business combinations occurred at the beginning of the year. Had the business combinations occurred at the beginning of the year, the GE Fleet Operations would have contributed $508,918 in net financial income and $230,589 in net income before business acquisition costs and income taxes. As a result of the judgment and simplifying assumptions used to generate these estimates, the amounts should not be used as an indicator of past or future performance of the Company or its acquired subsidiaries.

Prior Year Acquisition

PHH fleet management business

On July 7, 2014, the Company completed the acquisition of PHH Corporation's fleet management business ["PHH Arval"], including the assumption of existing securitization financing programs for the business. PHH Arval provides commercial fleet management services to corporations and government agencies throughout the United States and Canada, which business includes fleet leasing services, fleet management maintenance services, accident management services, fuel card programs, data warehousing, information management, and online systems support and access.

The Company completed the transaction for cash consideration of $1,536,203. The purchase price was substantially funded from existing resources, including funds raised from capital markets in the second quarter of 2014.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

	July 7, 2014
	$
Assets acquired	
Finance receivables	4,298,224
Restricted cash	287,443
Accounts receivable, net	20,026
Property, equipment and leasehold improvements	7,258
Derivative financial instruments	2,852
Intangible assets - Computer software	19,035
Intangible assets - Customer relationships	282,201
Goodwill	343,886
	5,260,925
Liabilities assumed	
Debt	3,812,393
Accounts payable and accrued liabilities	204,466
Income taxes, current and deferred	3,309
	4,020,168
	1,240,757
Source of financing	
Cash, net of cash acquired of $295,446 [excluding restricted cash]	1,240,757

The excess purchase consideration over the estimated net fair value of financial and other tangible and intangible assets acquired of $343,886 has been allocated to goodwill. The Company has completed assessing the fair value of the tangible and intangible assets acquired. In connection with this acquisition, the Company incurred transaction and integration costs of $127,286, of which a retention payout of $3,137 is expected to be paid on March 31, 2016.

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

23. COMMITMENTS

The Company leases its head office and its regional offices under operating leases expiring on various dates through 2025. As at December 31, the remaining future minimum lease payments are as follows:

	2015	2014
	$	$
Within one year	**13,785**	7,685
After one year but not more than five years	**49,357**	25,766
More than five years	**35,226**	26,950
	98,368	60,401

The Company enters into commitments to extend credit and provide lease or loan financing to its customers in the ordinary course of business, or commits to purchase equipment for leases. The funding of these commitments is subject to the customer satisfying various conditions and contractual requirements prior to funding. As a result, the total commitments outstanding do not necessarily reflect actual future cash flow requirements. As at December 31, 2015, the Company had $1,725,722 of commitments outstanding to provide financing or purchase equipment; $1,566,121 of these commitments expire or settle on various dates through to December 31, 2016, and $159,601 expire or settle on various dates through to December 31, 2017.

24. FINANCIAL INSTRUMENTS RISK

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers and counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on direct financing leases and loans. Counterparty limits are established by the use of both external and internal credit risk classification systems, which assign each counterparty a risk rating. The Company also manages credit risk through the existence of asset collateral held against both direct financing leases and loans. The Company maintains insurance coverage over these assets to further mitigate risk of loss. In situations where the Company takes possession of collateral under the terms of the direct finance lease or loan agreement, the asset is sold and a gain or loss on disposal is recognized.

The Company also monitors the diversification of its lending across asset class, geography and transaction size. As at December 31, 2015, the top three asset classes underlying the lending portfolio were vehicles, aircrafts and construction equipment with concentrations of 77.9%, 6.9% and 4.3%, respectively [2014 - vehicles, aircrafts and construction equipment with concentrations of 64.0%, 12.5% and 4.6%, respectively]. Also, as at December 31, 2015, 17.2% of the finance receivable portfolio was issued to customers in Canada, 78.6% to customers in the United States and 4.2% to customers in other countries, of which 8.8%, 7.1% and 6.3% of finance leases and loans were issued to customers located in Texas, Ontario, and California, respectively [2014 - 14.2%, 9.5% and 6.9% of finance leases and loans were issued to customers located in Ontario, Alberta and Texas, respectively]. As a result of transaction sizes and collateral arrangements, no individual customer represents a significant credit risk to the Company.

The Company's maximum exposure to credit risk for components of the consolidated statements of financial position as at December 31, 2015 and 2014 is the carrying amounts as disclosed on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's management oversees the Company's liquidity to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due and sustain and grow its assets and operations under both normal and stress conditions.

The most significant exposure to liquidity risk relates to the repayment of secured borrowings *[note 10]*. This exposure is managed as the cash flows generated by the Company's net investment in leases and loans, and future minimum payments on equipment under operating leases are term matched to meet the repayment requirements.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company structures its secured borrowing arrangements to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving loan facilities and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis. In some instances the Company enters into interest rate swaps in order to align the interest rate variability.

The Company does experience short-term interest rate risk on these finance receivables during the period between fixing the contractual rate under the finance contracts with its customers and the locking of the interest rate under its funding facilities. During this time, an upward movement in benchmark rates can negatively impact the spread on the transaction. In order to mitigate this risk, the Company carefully monitors its borrowing costs to ensure its rates reflect appropriate spreads to insulate against sudden unexpected interest rate movements. In order to further mitigate risk, the Company undertakes regular securitizations under its secured borrowing arrangements to ensure its finance contracts are appropriately match-funded by its secured borrowings, which reduces the warehouse period and the likelihood that a significant movement in bond rates will negatively impact the spreads on such transactions. The Company also maintains adequate balance sheet liquidity to allow it flexibility in developing a strategy of holding versus securitizing such finance assets.

After considering the fixed interest rate spread on the secured borrowing programs and high exposure to fixed rate finance receivables described above, the Company's interest rate risk is limited to cash and restricted cash, floating-rate finance receivables which are neither hedged nor part of a match-funded secured borrowing arrangement, senior revolving credit facility, and floating-rate finance receivables that are hedged with interest rate caps and these interest rate caps are out-of-the-money. Based on its exposure as at December 31, 2015, the Company estimates that a 50 basis point increase or decrease in interest rates [subject to a floor of 1 basis point] would not have a significant impact on the Company's earnings.

Foreign currency risk

Foreign currency risk is the risk of exposure to foreign currency movements on the Company's lending and/or net investment in foreign subsidiaries, whereby there is a risk the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes, matures or when a foreign subsidiary is divested. The Company mitigates and manages this risk on the Company's lending portfolio by entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. The Company currently partially hedges its net investment in foreign subsidiaries. As at December 31, 2015, the Company did not have a significant un-hedged exposure to this type of foreign currency risk that would have an impact to net income.

The Company is also exposed to foreign currency risk related to net income generated from foreign currency denominated assets and operations. This risk represents the impact of fluctuations to the average Canadian and foreign currency exchange rate used to translate the Company's foreign currency denominated net income into Canadian dollar equivalent during each period. The Company may mitigate and manage this type of foreign currency risk by entering into foreign currency forward contracts to reduce or hedge this exposure to foreign currency risk. If future net income before business acquisition costs and income taxes is consistent with the results generated in 2015, each one cent increase (decrease) in the average Canadian/foreign currency exchange rates would be expected to increase/decrease net income before business acquisition costs and income taxes for the year by approximately $3,786 in the absence of hedging transactions.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates the fair value of the following financial instruments using the methodology described below.

Valuation methods and assumptions

Finance receivables and secured borrowings on finance receivables

The carrying value of finance receivables and secured borrowings approximates fair value. The assertion that the carrying value of the finance receivables approximates fair value requires the use of estimates and significant judgment. The finance receivables were credit-scored based on an internal model which is not used in market transactions. They comprise a large number of transactions with commercial customers in different businesses, are secured by liens on various types of equipment and may be guaranteed by third parties and cross-collateralized. The fair value of any receivable would be affected by a potential buyer's assessment of the transaction's credit quality, collateral value, guarantees, payment history, yield, term, documents and other legal matters, and other subjective considerations. Value received in a fair market sale transaction would be based on the terms of the sale, the buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations, and other factors.

Convertible debentures

The debt component of convertible debentures is recorded at fair value on initial recognition and subsequently carried at amortized cost as presented in note 11. The fair market value of the debt component at December 31, 2015 was estimated at $855,228 by discounting the stream of remaining payments at 5.50%, which represents the rate of interest prevailing for instruments of similar terms and risks without the conversion feature . Convertible debentures are classified as Level 2 financial instruments, whereby fair value is determined using valuation techniques and observable inputs.

Notes receivable

The carrying value of the notes receivable approximates their fair value, as the interest rate on this asset is commensurate with market interest rates for this type of asset with similar duration and credit risk.

Derivatives

The fair values of derivatives are presented in note 19 and are determined by the derivative counterparty using the related interest rate swap curves, foreign exchange forward values, intrinsic values and/or the Company's stock price for the total return swaps. Derivatives are classified as Level 2 financial instruments, whereby fair value is determined using valuation techniques and observable inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

26. SUPPLEMENT TO STATEMENT OF CASH FLOWS

The consolidated statements of cash flows reflect only the impact of the Company's activities during the period. To simplify understanding of these transactions, and the related non-cash components, the major statement of financial position changes are more fully detailed below with indications as to the amounts included in the consolidated statements of cash flows.

	For the year ended December 31, 2015
	$
Finance receivables *[note 4]*	
Balance at December 31, 2014	**8,465,989**
Purchase of GE Capital's fleet management operations [included only at a net transaction level in cash flows] *[note 22]*	**6,448,890**
Originations [included in cash flows]	**6,461,239**
Repayments [included in cash flows]	**(4,869,707)**
Assets sold to syndications [included in cash flows]	**(384,595)**
Amounts transferred to equipment under operating leases	**(55,633)**
Amortization of deferred lease costs [adjustment to income in cash flows]	**(14,708)**
Provision for credit losses [adjustment to income in cash flows]	**(18,641)**
Impact of foreign exchange translation [excluded from cash flows]	**1,522,462**
Balance at December 31, 2015	**17,555,296**
Equipment under operating leases *[note 5]*	
Balance at December 31, 2014	**1,279,670**
Purchase of GE Capital's fleet management operations [included only at a net transaction level in cash flows] *[note 22]*	**1,336,609**
Originations [included in cash flows as Investment in equipment under operating leases]	**1,232,070**
Other additions [included in cash flows as Investment in equipment under operating leases]	**52,989**
Disposals [included in cash flows]	**(123,319)**
Amounts transferred from finance receivables	**55,633**
Amortization of equipment under operating leases [adjustment to income in cash flows]	**(139,140)**
Impact of foreign exchange translation [excluded from cash flows]	**432,041**
Balance at December 31, 2015	**4,126,553**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
[in thousands of Canadian dollars, except where otherwise noted and per share amounts]

December 31, 2015

	For the year ended December 31, 2015
	$
Secured borrowings *[note 10]*	
Balance at December 31, 2014	**7,751,395**
Net issuance [included in cash flows]	**8,521,281**
Increase in deferred financing costs [included in cash flows]	**(52,147)**
Amortization of deferred financing costs [adjustment to income in cash flows]	**26,931**
Impact of foreign exchange translation [excluded from cash flows]	**1,614,578**
Balance at December 31, 2015	**17,862,038**

27. SUBSEQUENT EVENT

On February 16, 2016, the Company announced the results of its strategic review that had been initiated in October 2015. The Board of Directors of the Company has approved management's plan to separate Element Financial Corporation into two independent publicly-traded companies. The transaction will involve the separation into newly created publicly traded company of the Commercial and Vendor ["C&V"] Finance and Aviation ["Aviation"] Finance verticals from the existing corporate structure. The existing corporate structure will retain the Fleet Management and Rail Finance verticals.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.