A Pattern of Evolution

Third Quarter Report • September 30, 2019

Message From the President and CEO

Enclosed are the financial statements, as well as Management's Discussion and Analysis, for the quarter and nine months ended September 30, 2019 together with comparative figures for the same period of 2018. These financial statements have not been reviewed by the Company's auditors, but have been reviewed and approved by its Audit Committee and Board of Directors.

The Company's total funds employed (finance receivables and loans) totalled $385 million at September 30, 2019, 27% higher than the $304 million a year earlier and 13% higher than last year-end. Average funds employed in the third quarter increased by 35% to $383 million compared with $283 million last year. Shareholders' equity was a record high $93 million at September 30, 2019 compared to $82 million at September 30, 2018. Book value per share increased to $11.07 versus $9.82 a year ago.

Revenue increased by 17% to a quarterly record $15,299,000 in the third quarter of 2019 compared to $13,120,000 last year as a result of the higher funds employed.

Net earnings attributable to the Company's shareholders rose by 24% to $3,237,000 in the third quarter of 2019 compared with $2,616,000 in last year's third quarter. Earnings per share ("EPS") were 23% higher at 38 cents this quarter compared to 31 cents in the third quarter of 2018. Third quarter earnings increased mainly as a result of higher net revenue (revenue less interest expense), lower business acquisition expenses and a reduced provision for credit and loan losses.

Adjusted net earnings, which comprises net earnings attributable to shareholders before non-operating stock-based compensation and business acquisition expenses (namely transaction costs and amortization of intangibles), were $20,000 higher at $2,862,000 in the third quarter of 2019 compared to $2,842,000 in the third quarter of 2018. Adjusted EPS, based on the adjusted net earnings, remained unchanged at 34 cents in the third quarter compared to last year.

Revenue in the first nine months of 2019 increased by 23% to $41,878,000, a nine month record, compared to $33,976,000 in the first nine months of 2018 as a result of higher funds employed. Average funds employed in the first nine months of 2019 were up 46% to $373 million compared with $256 million last year.

Net earnings for the first nine months of 2019 rose by 15% to $7,102,000 from $6,195,000 in the first nine months of 2018. EPS increased by 12% to 84 cents this year versus 75 cents in 2018. Net earnings rose on higher net revenue, a lower provision for credit and loan losses and reduced business acquisition expenses. Adjusted net earnings increased by $118,000 to $7,075,000 in the first nine months of 2019 compared to the $6,957,000 earned in the first nine months of 2018. Adjusted EPS remained unchanged at 84 cents compared to last year.

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Simon Hitzig

Accord's growth path continued through the third quarter, with its loan portfolio, revenue and net earnings showing strong year-over-year growth. First nine months earnings per share of 84 cents drove book value per share to a record high of $11.07.

During the quarter Accord's financial position was strengthened by exercising the accordion feature in its bank facility, which increased the Company's facility by $75 million to $367 million. In addition, Concentra Bank invested $5 million in a private convertible debenture issue as part of an exciting strategic alliance. Accord's capacity for portfolio growth has never been stronger.

With nearly three years of strong growth in the books, driven in part by a series of successful acquisitions, Accord's unified corporate platform is taking shape. We've bolstered our executive team with key hires in human capital and finance, highlighting Accord's commitment to its two most valuable resources: people and funding. And we've aligned the entire team around a three-year strategic plan, which will take all of our key processes to the next level.

We've also made great strides in presenting a singular vision and seamless service to the markets we serve. While we will continue to organize around distinct product teams, ensuring a continued focus on credit and risk management, we aim to make these distinctions invisible to our clients. From wherever a client first connects with Accord, we deliver a consistent, frictionless experience from first contact, to funding, to ongoing service for the duration of the relationship.

Accord's mission is to simplify access to capital so our clients can thrive. In the past I've written about the challenge of "simplicity" in a business with a broad range of products operating from multiple offices in two countries. But the word "thrive" is equally important to Accord and its stakeholders. Our company continues to grow only because of our passion for helping our clients thrive. Dedication to this mission, and the financing we deliver, helps business leaders unleash their potential and build great companies. Over forty-one years these companies have brought stability and income to thousands of families and helped their communities thrive.

None of these successes happen without outstanding people working in a culture that inspires growth. If we want our clients to thrive, we have to invest in our people, aim high and deliver. So we're working hard to maintain a workplace where people can thrive; where we can teach and learn, collaborate, experiment, invent and deliver.

At the Board of Directors meeting held today, a regular quarterly dividend of 9 cents per common share was declared, payable December 2, 2019 to shareholders of record November 15, 2019.

Simon Hitzig
President and Chief Executive Officer
October 30, 2019

Management's Discussion & Analysis of Results of Operations and Financial Condition ("MD&A")

Quarter and nine months ended September 30, 2019 compared with quarter and nine months ended September 30, 2018

Financial Highlights

(unaudited, in thousands except average funds employed, earnings per share and book value per share)	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Average funds employed (millions)	**$ 383**	$ 283	**$ 373**	$ 256
Revenue	**15,299**	13,120	**41,878**	33,976
Earnings before income tax	**4,063**	3,105	**8,911**	7,104
Net earnings attributable to shareholders	**3,237**	2,616	**7,102**	6,195
Adjusted net earnings	**2,862**	2,842	**7,075**	6,957
Earnings per common share (basic and diluted)	**0.38**	0.31	**0.84**	0.75
Adjusted earnings per common share (basic and diluted)	**0.34**	0.34	**0.84**	0.84
Book value per share (September 30)			**$ 11.07**	$ 9.82

Overview

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter and nine months ended September 30, 2019 compared with the quarter and nine months ended September 30, 2018 and, where presented, the quarter and nine months ended September 30, 2017. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A, which has been prepared as at October 30, 2019, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarters and nine months ended September 30, 2019 and 2018, which are included as part of this 2019 Third Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2018 audited consolidated financial statements and notes thereto included in the Company's 2018 Annual Report.

All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Please refer to the Critical Accounting Policies and Estimates section below and note 2 and 3 to the Statements regarding the Company's use of accounting estimates in the preparation of its financial statements in accordance with IFRS. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

The following discussion contains certain forward-looking statements that are subject to significant risks and uncertainties that could cause actual results to differ materially from historical results and percentages. Factors that may impact future results are discussed in the Risks and Uncertainties section below.

Non-IFRS Financial Measures

In addition to the IFRS prepared results and balances presented in the Statements and notes thereto, the Company uses a number of other financial measures to monitor its performance and some of these are presented in this MD&A. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using them and are, therefore, considered to be non-IFRS measures.

Stuart Adair

The Company primarily derives these measures from amounts presented in its Statements, which were prepared in accordance with IFRS. The Company's focus continues to be on IFRS measures and any other information presented herein is purely supplemental to help the reader better understand the key performance indicators used in monitoring its operating performance and financial position. The non-IFRS measures presented in this MD&A and elsewhere in its 2019 Third Quarter Report are defined as follows:

i) **Return on average equity ("ROE")** – this is a profitability measure that presents net earnings attributable to shareholders ("shareholders' net earnings") as an annualized percentage of the average shareholders' equity employed in the period to earn the income. The Company includes all components of shareholders' equity to calculate the average thereof;

ii) **Adjusted net earnings, adjusted earnings per common share and adjusted ROE** – adjusted net earnings presents shareholders net earnings before stock-based compensation, business acquisition expenses (namely, business transaction costs and amortization of intangibles) and, if any, restructuring expenses. The Company considers these items to be non-operating expenses. Management believes adjusted net earnings is a more appropriate measure of ongoing operating performance than shareholders' net earnings as it excludes items which do not directly relate to ongoing operating activities. Adjusted (basic and diluted) earnings per common share is adjusted net earnings divided by the (basic and diluted) weighted average number of common shares outstanding in the period, while adjusted ROE is adjusted net earnings for the period expressed as an annualized percentage of average shareholders' equity employed in the period;

iii) **Book value per share** – book value is defined as shareholders' equity and is the same as the net asset value of the Company (calculated as total assets minus total liabilities) less non-controlling interests in subsidiaries. Book value per share is the book value divided by the number of common shares outstanding as of a particular date;

iv) **Financial condition and leverage ratios** – the table on page 12 presents the following percentages: (i) total equity expressed as a percentage of total assets; (ii) tangible equity (total equity less goodwill, intangible assets and deferred taxes) expressed as a percentage of total assets; and (iii) debt (bank indebtedness, loan payable, notes payable and convertible debentures) expressed as a percentage of total equity. These percentages provide information on trends in the Company's financial condition and leverage; and

v) **Average funds employed** – funds employed is another name that the Company uses for its finance receivables and loans (also referred to as "Loans" in this MD&A), an IFRS measure. Average funds employed are the average finance receivables and loans calculated over a particular period.

Accord's Business

Accord is one of North America's leading independent finance companies serving clients throughout the United States and Canada. Accord's flexible finance programs cover the full spectrum of asset-based lending ("ABL"), from receivables and inventory finance, to equipment and trade finance, to film and media finance. Accord's business also includes credit protection and receivables management, as well as supply chain financing for importers. The Company's financial services are discussed in more detail in its 2018 Annual Report. Its clients operate in a wide variety of industries, examples of which are set out in note 21(a) to the Statements.

The Company, founded in 1978, operates six finance companies in North America, namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Accord Small Business Finance ("ASBF") in Canada, and Accord Financial, Inc. ("AFIU"), BondIt Media Capital ("BondIt") and Accord CapX LLC ("CapX") (doing business as CapX Partners) in the United States.

The Company's business principally involves: (i) asset-based lending by AFIC and AFIU, which entails financing or purchasing receivables on a recourse basis, as well as financing other tangible assets, such as inventory and equipment; (ii) equipment financing (leasing and equipment loans) by CapX and ASBF. ASBF also provides working capital financing to small businesses; (iii) film and media production financing by BondIt; and (iv) credit protection and receivables management services by AFL, which principally involves providing credit guarantees and collection services, generally without financing.

Quarterly Financial Information

(unaudited, in thousands except earnings per share)

Quarter ended		Revenue	Net earnings	Earnings per common share*
2019	**September 30**	**$ 15,299**	**$ 3,237**	**$ 0.38**
	June 30	**13,991**	**2,222**	**0.26**
	March 31	**12,588**	**1,643**	**0.19**
2018	December 31	$ 12,951	$ 4,161	$ 0.50
	September 30	13,120	2,616	0.31
	June 30	10,823	2,363	0.28
	March 31	10,033	1,216	0.15
Fiscal 2018		$ 46,927	$ 10,356	$ 1.24
2017	December 31	$ 9,935	$ 2,433	$ 0.29
	September 30	8,370	1,983	0.24
	June 30	6,603	369	0.04
	March 31	6,501	1,226	0.15
Fiscal 2017		$ 31,409	$ 6,010**	$ 0.72

* *Basic and diluted*
** *Due to rounding the total of the four quarters does not agree with the total for the fiscal year.*

Results of Operations

Quarter ended September 30, 2019 compared with quarter ended September 30, 2018

Shareholders' net earnings for the quarter ended September 30, 2019 increased by 24% or $621,000 to $3,237,000 compared to the $2,616,000 earned in the third quarter of 2018 and were $1,254,000 higher than the $1,983,000 earned in third quarter of 2017. Shareholders' net earnings compared to 2018 and 2017 rose mainly as a result of a higher net revenue, (revenue less interest expense) reduced business acquisition expenses and a lower provision for credit and loan losses. Earnings before income tax rose by 31% to $4,063,000 compared to $3,105,000 last year and $2,318,000 in 2017. Basic and diluted earnings per common share ("EPS") increased by 23% to 38 cents compared to the 31 cents earned in the third quarter of 2018 and were 58% higher than the 24 cents earned in the third quarter of 2017.

Adjusted net earnings rose by $20,000 to $2,862,000 in 2019 compared to $2,842,000 in the third quarter of 2018 and were $696,000 higher than the $2,166,000 earned in the third quarter of 2017. Adjusted EPS remained unchanged at 34 cents compared to the third quarter of 2018 and were 31% higher than the 26 cents earned in the third quarter of 2017. The following table provides a reconciliation of shareholders' net earnings to adjusted net earnings:

Quarter ended September 30

(in thousands)	**2019**	2018	2017
Shareholders' net earnings	**$ 3,237**	$ 2,616	$ 1,983
Adjustments, net of tax:			
Stock-based compensation expense	**48**	34	47
Business acquisition expenses	**(423)**	192	136
Adjusted net earnings	**$ 2,862**	$ 2,842	$ 2,166

Revenue rose by $2,179,000 or 17% to $15,299,000 in the current quarter compared to $13,120,000 in the third quarter of 2018 and was $6,929,000 or 83% higher than the $8,370,000 in the third quarter of 2017. Interest income rose by $3,209,000 or 31% to $13,462,000 in the third quarter of 2019 compared to $10,253,000 in the third quarter of 2018 on a 35% increase in average funds employed partly offset by a 3% decrease in average loan yields. Other income declined by $1,030,000 to $1,837,000 in the current quarter compared to $2,867,000 in the third quarter of 2018 as management fees earned by CapX for managing a legacy equipment finance fund declined as the fund winds down, and receivables management fees decreased. Interest income in the current quarter increased by $7,050,000 or 110% compared to the third quarter of 2017 on a 103% rise in average funds employed and a 3% increase in average loan yields. Other income in the current quarter declined by $121,000 compared to the third quarter of 2017 on reduced receivables management fees. Average funds employed in the third quarter of 2019 increased to $383 million compared to $283 million in the third quarter of 2018 and $189 million in the third quarter of 2017.

Total expenses for the third quarter of 2019 increased by $1,221,000 or 12% to $11,236,000 compared to $10,015,000 last year. Interest, G&A and depreciation increased by $1,731,000, $691,000 and $122,000, respectively. Business acquisition costs (transaction costs and amortization of intangibles) and the provision for credit and loan losses declined by $808,000 and $515,000, respectively.

Interest expense rose by 65% to $4,386,000 in the third quarter of 2019 from $2,655,000 last year on 41% higher average borrowings and increased interest rates. Market interest rates rose, while the Company also borrowed an increased proportion of its debt at higher rates of interest than bank debt under its loan payable, term notes payable and convertible debentures.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, management fees, professional fees, data processing, travel, telephone and general overheads. G&A increased by 12% to $6,502,000 in the current quarter compared to $5,811,000 last year. G&A increased on higher personnel costs, which rose by $737,000, mainly as a result of increased head count required to support the Company's growth, higher profit sharing bonus accrual, as well as a $158,000 severance cost. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses decreased by 42% to $719,000 in the third quarter of 2019 compared to $1,234,000 last year. The provision comprised:

Quarter ended September 30 (in thousands)	**2019**	2018
Net charge-offs	**$ 705**	$ 162
Reserves expense related to increase in total allowances for losses	**14**	1,072
	$ 719	$ 1,234

There were net charge-offs of $705,000 in the current quarter compared to $162,000 last year, while the non-cash reserves expense declined to $14,000. The Company's allowances for losses and its portfolio are discussed in detail below and also in the Statements. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies or other one-off losses.

Depreciation expense increased by $122,000 to $184,000 in the third quarter of 2019. On January 1, 2019, the Company adopted IFRS 16, Leases, and capitalized four office leases as "right-of-use" assets (see detail on page 10 below). Depreciation of $109,000 (2018 – nil) was charged on the right-of-use assets in the current quarter.

Business acquisition expenses saw a recovery of $554,000 (2018 – expense $254,000) in the third quarter of 2019. Transaction costs saw a recovery of $628,000 (2018 – expense $151,000) resulting from a reduction in the fair value of contingent consideration related to the CapX acquisition (in October 2017) expected to be paid, while the amortization of intangible assets relating to ASBF and CapX decreased to $74,000 (2018 – $103,000).

Income tax expense rose by $805,000 to $1,079,000 in the current quarter compared to $274,000 in the third quarter of 2018. U.S. tax regulations released in December 2018 have impacted tax planning such that the Company will see an increase in its effective tax rate in 2019 and potentially for years thereafter. The Company is currently reviewing alternative tax planning opportunities in order to lower its effective tax rate in future years.

Canadian operations reported a net loss attributable to shareholders of $342,000 in the third quarter compared to shareholders' net earnings of $675,000 last year as a result of higher interest expense (see note 19 to the statements). Revenue increased by $158,000 or 2% to $6,512,000. Expenses increased by $1,424,000 to $6,845,000. Interest expense rose by $1,537,000 to $3,883,000, depreciation increased by $47,000 to $85,000, while G&A increased by $17,000 to $2,672,000. The provision for credit and loan losses and business acquisition expenses declined by $148,000 and $29,000, respectively. Income tax expense decreased by $249,000 to $9,000 on a $1,266,000 decrease in earnings before income-tax.

U.S. operations reported a $1,638,000 increase in shareholders' net earnings in the third quarter of 2019 compared to 2018 (see note 19 to the Statements). Shareholders' net earnings rose to $3,579,000 compared to $1,941,000 last year. Revenue increased by $2,407,000 to $9,224,000 on higher funds employed. Expenses rose by $183,000 or 4% to $4,828,000. G&A increased by $675,000 to $3,830,000, interest expense rose by $579,000 to $939,000, while depreciation increased by $75,000. Business acquisition expenses declined by $779,000 to a recovery of $594,000, while the provision for credit and loan losses decreased by $367,000 to $554,000. Income tax expense increased by $1,054,000 to $1,070,000. There was a net loss attributable to non-controlling interests in subsidiaries of $253,000 compared to net earnings of $215,000 in the third quarter of 2018.

Nine months ended September 30, 2019 compared with nine months ended September 30, 2018

Shareholders' net earnings for the first nine months of 2019 increased by $907,000 or 15% to $7,102,000 compared to the $6,195,000 earned last year and the $3,577,000 in the first nine months of 2017. Shareholders' net earnings compared to 2018 and 2017 rose mainly as a result of higher net revenue, a lower provision for credit and loan losses and reduced business acquisition expenses. Earnings before income tax for the first nine months of 2019 rose by 25% to $8,911,000 compared to $7,104,000 last year and were 147% higher than the $3,602,000 in 2017. EPS rose by 12% to 84 cents compared to the 75 cents earned in the first nine months of 2018. The Company's ROE in the first nine months of 2019 remained unchanged at 10.5% compared to last year.

Adjusted net earnings increased by $118,000 to $7,075,000 in 2019 compared to $6,957,000 in the first nine months of 2018 and were 72% higher than the $4,102,000 earned in the first nine months of 2017. Adjusted EPS remained unchanged at 84 cents compared to 2018 and were 71% above the 49 cents earned in the first nine months of 2017. Adjusted ROE for the first nine months of 2019 was 10.5% compared to 11.1% in 2018 and 7.1% in 2017.

The following table provides a reconciliation of shareholders' net earnings to adjusted net earnings:

Nine months ended September 30

(in thousands)	2019	2018	2017
Shareholders' net earnings	$ 7,102	$ 6,195	$ 3,577
Adjustments, net of tax:			
Stock-based compensation expense	132	169	143
Business acquisition expenses	(159)	593	272
Restructuring expenses	—	—	110
Adjusted net earnings	$ 7,075	$ 6,957	$ 4,102

Revenue for the first nine months of 2019 increased by 23% or $7,902,000 to $41,878,000 compared to $33,976,000 last year. Interest income rose by $9,834,000 or 36% to $36,819,000 in the first nine months of 2019 compared to $26,985,000 in 2018 on a 46% increase in average funds employed, partly offset by a 7% decrease in average loan yields. Other income declined by $1,932,000 to $5,059,000 in the current nine months compared to $6,991,000 in 2018 as management fees earned by CapX for managing a legacy equipment finance fund declined as the fund winds down, and receivables management fees decreased. Average funds employed in the first nine months of 2019 increased to $373 million compared to $256 million in 2018.

Total expenses for the first nine months of 2019 increased by $6,095,000 or 23% to $32,967,000 compared to $26,872,000 last year. Interest, G&A and depreciation increased by $6,585,000, $1,993,000 and $383,000, respectively. The provision for credit and loan losses, business acquisition expenses and impairment of assets held for sale declined by $1,848,000, $993,000 and $25,000, respectively.

Interest expense rose by 108% to $12,697,000 compared to $6,112,000 in the first nine months of 2018 on 60% higher average borrowings and increased interest rates. Interest rates rose for reasons noted above.

G&A increased by 12% to $18,924,000 in the current nine months compared to $16,931,000 last year. G&A increased on higher personnel costs, which rose by $2,125,000 mainly as a result of increased head count to support the Company's growth and higher and profit sharing bonus accrual, as well as severance costs of $438,000. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses declined by $1,848,000 to $1,011,000 in the first nine months of 2019 compared to $2,859,000 last year. The provision comprised:

Nine months ended September 30 (in thousands)	2019	2018
Net charge-offs	$ 719	$ 776
Reserves expense related to increase in total allowances for losses	292	2,083
	$ 1,011	$ 2,859

Net charge-offs declined by $57,000 to $719,000 in the first nine months of 2019 compared to $776,000 last year, while the non-cash reserves expense declined by $1,791,000 to $292,000. The Company's allowances for losses and its portfolio are discussed in detail below and also in the Statements. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies or one-off losses.

There was no impairment of assets held for sale during the first nine months of 2019 (2018 – $25,000).

Depreciation expense increased by $383,000 to $544,000 in the first nine months of 2019. As noted above, the Company adopted IFRS 16, Leases, in 2019 and capitalized four office leases as "right-of-use" assets. Depreciation of $328,000 (2018 – nil) was charged on the right-of-use assets in the first nine months of 2019.

Business acquisition expenses saw a recovery of $208,000 (2018 – expense $785,000) in the first nine months of 2019. There was a recovery of transaction costs of $434,000 (2018 – expense $478,000) for the reason noted above, while the amortization of intangible assets relating to ASBF and CapX totalled $226,000 (2018 – $307,000).

Income tax expense increased by $2,060,000 to $2,267,000 in the first nine months of 2019 compared to $207,000 last year for reasons noted above.

Canadian operations reported a net loss attributable to shareholders of $1,151,000 in the first nine months of 2019 compared to shareholders' net earnings of $1,161,000 in 2018. Net earnings declined as a result of a higher interest expense. Revenue increased by $1,916,000 or 11% to $18,685,000. Expenses increased by $4,815,000 to $19,950,000. Interest expense rose by $5,784,000 to $11,345,000, while depreciation increased by $148,000 to $249,000. The provision for credit and loan losses decreased by $929,000 to $182,000, while business acquisition expenses, G&A and impairment of assets held for sale declined by $84,000, $79,000 and $25,000, respectively. Income tax decreased by $587,000 to a recovery of $114,000 on a $2,899,000 decrease in earnings before income tax.

U.S. operations reported a $3,219,000 increase in shareholders' net earnings in the first nine months of 2019 compared to 2018. Shareholders' net earnings rose to $8,253,000 compared to $5,034,000 last year. Revenue increased by $6,702,000 to $24,004,000 on higher funds employed. Expenses rose by $1,996,000 to $13,828,000. G&A increased by $2,072,000 to $10,875,000, interest expense rose by $1,517,000 to $2,163,000, while depreciation was $235,000 higher. The provision for credit and loan losses decreased by $919,000 to $829,000, while business acquisition expenses declined by $909,000 to a recovery of $333,000. Income tax increased by $2,647,000 to an expense of $2,381,000. Net loss attributable to non-controlling interests in subsidiaries totalled $458,000 compared to net earnings of $702,000 in the first nine months of 2018.

Review of Financial Position

Shareholders' equity at September 30, 2019 was a record high $93,491,000, 4% higher than the $89,818,000 at December 31, 2018 and 15% higher than the $81,605,000 at September 30, 2018. The increase in shareholders' equity since December 31, 2018 resulted from increases in retained earnings, capital stock and contributed surplus which were partially offset by a decline in accumulated other comprehensive income. Book value per common share was also a record high $11.07 at September 30, 2019 compared to $10.66 at December 31, 2018 and $9.82 at September 30, 2018. Please also see the consolidated statements of changes in equity on page 22 of this Third Quarter Report.

Total assets rose by 10% to $409,928,000 at September 30, 2019 compared to $373,783,000 at December 31, 2018 and were 26% higher than the $325,331,000 at September 30, 2018. Total assets largely comprised Loans (funds employed). Excluding inter-company loans, identifiable assets located in the United States were 61% of total assets at September 30, 2019 compared to 62% at December 31, 2018 and 53% at September 30, 2018 (see note 19 to the Statements).

Gross finance receivables and loans (also referred to as Loans or funds employed), before the allowance for losses thereon, increased by 13% to $384,585,000 at September 30, 2019 compared to $339,102,000 at December 31, 2018 and were 26% higher than the $303,731,000 at September 30, 2018. As detailed in note 4 to the Statements, the Company's Loans comprised:

(in thousands)	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Receivable loans	$ 118,200	$ 134,422	$ 121,643
Other loans*	179,355	135,307	124,706
Lease receivables	87,030	69,373	57,382
Finance receivables and loans	384,585	339,102	303,731
Less allowance for losses	3,676	3,450	4,163
Finance receivables and loans	$ 380,909	$ 335,652	$ 299,568

** Other loans primarily comprise inventory and equipment loans.*

The Company's receivable loans decreased by 12% to $118,200,000 at September 30, 2019 compared to $134,422,000 at December 31, 2018 and were 3% lower than the $121,643,000 at September 30, 2018. Other loans, which primarily comprise advances against non-receivable assets such as inventory and equipment, rose by 33% to $179,355,000 at September 30, 2019 compared to $135,307,000 at December 31, 2018 and were 44% higher than the $124,706,000 at September 30, 2018. Lease receivables, representing ASBF's and CapX's net investment in equipment leases, rose by 25% to $87,030,000 at September 30, 2019 compared to $69,373,000 at December 31, 2018 and were 52% higher than the $57,382,000 at September 30, 2018. Net of the allowance for losses thereon, Loans increased by 13% to $380,909,000 at September 30, 2019 compared to $335,652,000 at December 31, 2018 and were 27% higher than the $299,568,000 at September 30, 2018. The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 70 clients in a wide variety of industries, as well as ASBF's and CapX's lease receivables and equipment and related loans to over 220 clients. The largest client comprised 6% of gross Loans.

In its credit protection and receivables management business, the Company contracts with clients to assume the credit risk associated with respect to their receivables without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These managed receivables totalled $49 million at September 30, 2019 compared to $40 million at December 31, 2018 and $60 million at September 30, 2018. Managed receivables comprise the receivables of approximately 70 clients at September 30, 2019. The 25 largest clients comprised 85% of total volume in the first nine months of 2019. Most of the clients' customers upon which the Company assumes the credit risk are "big box", apparel, home furnishings and footwear retailers in Canada and the United States. At September 30, 2019, the 25 largest customers accounted for 61% of total managed receivables, of which the largest five comprised 45%. The Company monitors the retail industry and the credit risk related to its managed receivables very closely. The managed receivables are regularly reviewed and monitored.

The Company's total portfolio, which comprises both gross Loans and managed receivables, as detailed above, rose by 15% to $434 million at September 30, 2019 compared to $379 million at December 31, 2018 and was 19% higher than the $364 million at September 30, 2018.

As described in note 21(a) to the Statements, the Company's business principally involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's asset-based lending businesses, AFIC and AFIU, media finance business, Canadian equipment finance business (ASBF), and credit protection business is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1,000,000 (US$500,000 for BondIt), the Company's Chairman and Vice Chairman of its Board. Credit in excess of $2,500,000 is approved by the Company's Credit Committee, which comprises three independent members of its Board. In the Company's U.S. equipment finance business (CapX), credit is approved by CapX's Investment Committee, with amounts in excess of US$2,500,000 also being approved by the Company's Chairman and Vice Chairman. CapX credit in excess of US$4,000,000 is then approved by the Company's Credit Committee. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

In its asset-based lending operations, the Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. ASBF's and CapX's lease receivables and equipment and working capital loans are usually term loans with payments spread out evenly over the term of the lease or loan, which can be up to 60 months, although ASBF has a "revolving" equipment loan product which has no fixed repayment terms and can be repaid at anytime. Of the total managed receivables that the Company guarantees payment, 1.3% were past due more than 60 days at September 30, 2019. In the Company's asset-based lending business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on such older receivables.

The Company employs internal client rating systems to assess the credit risk in its asset-based lending and leasing businesses, which review, amongst other things, the financial strength of each client and the Company's underlying collateral security, while in its credit protection business it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Please see note 4 to the Statements which presents tables summarizing the Company's finance receivables and loans, and managed receivables, by their internal credit risk rating (low risk, medium risk, high risk) and also by the three stage credit criteria of IFRS 9, as well as an aged analysis thereof. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the good quality and that any inventory, equipment or other assets securing loans are appropriately appraised. Collateral is monitored and managed on an on-going basis to mitigate credit risk. In its asset-based lending operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis.

The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables and applying concentration limits, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases or lends against. In its asset-based lending operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's Canadian leasing operations, security deposits are obtained in respect of each equipment lease or loan.

As detailed in note 4, the Company had past due finance receivables and loans of $10,069,000 at September 30, 2019, of which $8,744,000 related to BondIt, the Company's media finance subsidiary. Repayments of BondIt's loans are often delayed for non-credit related reasons such as production delays. At September 30, 2019, the Company also had impaired finance receivables and loans of $8,928,000, of which one loan comprised $6,902,000 thereof. The impaired loans, which have been written down to net realizable value where necessary, are mainly collateralized by receivables, inventory and equipment, the estimated net realizable value of which was $9,850,000 at September 30, 2019.

In the Company's credit protection business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. As noted above, all client and customer credit in excess of $2.5 million (US$4 million in the case of CapX) is approved by the Company's Credit Committee on a case-by-case basis. Note 21(a) to the

Statements provides details of the Company's credit exposure by industrial sector.

The Company's allowance for losses on Loans, calculated under the expected credit loss ("ECL") criteria of IFRS 9, totalled $3,676,000 at September 30, 2019 compared to $3,450,000 at December 31, 2018 and $4,163,000 at September 30, 2018. The allowance for losses on the guarantee of managed receivables totalled $76,000 at September 30, 2019 compared to $74,000 at December 31, 2018 and $110,000 at September 30, 2018. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. It is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in the allowance for losses accounts for the first nine months of 2019 and 2018 is set out in note 4 to the Statements. The estimates of both allowances for losses are judgmental. Management considers them to be reasonable and appropriate.

Cash decreased to $4,717,000 at September 30, 2019 compared to $16,346,000 at December 31, 2018 and $5,045,000 at September 30, 2018. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

The Company adopted IFRS 16, Leases, effective January 1, 2019, which replaced IAS 17, Leases. Under IFRS 16, right-of-use assets and lease liabilities have been recognized at January 1, 2019 for four of the Company's office leases which resulted in an increase in both assets and liabilities. Right-of-use assets and lease liabilities totalling $2,027,000 were recorded at that date, with no impact on retained earnings. The Company's right-of-use assets totalled $1,668,000 at September 30, 2019. See detailed discussion on the adoption of IFRS 16 below and notes 3(a) and 5 to the Statements.

Intangible assets, net of accumulated amortization, totalled $3,780,000 at September 30, 2019 compared to $4,116,000 at December 31, 2018 and $4,016,000 at September 30, 2018. Intangible assets totalling US$2,885,000 were acquired upon the acquisition of CapX on October 27, 2017 and comprised customer and referral relationships and brand name. These assets are carried in the Company's U.S. subsidiary and are translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Customer and referral relationships are being amortized over a period of 15 years, while the acquired brand name is considered to have an indefinite life and is not amortized. Intangible assets comprising existing customer contracts and broker relationships were also acquired as part of the ASBF acquisition on January 31, 2014. These are being amortized over a period of 5 to 7 years. Please refer to note 7 to the Statements.

Goodwill totalled $13,679,000 at September 30, 2019 compared to $14,031,000 at December 31, 2018 and $13,382,000 at September 30, 2018. Goodwill of US$2,409,000 and US$5,538,000 was acquired on the acquisition of BondIt and CapX on July 1, 2017 and October 27, 2017, respectively. BondIt and CapX goodwill is carried in the Company's U.S. operations, together with US$962,000 from a much earlier acquisition. Goodwill of $1,883,000 was also acquired as part of the ASBF acquisition and is carried in the Company's Canadian operations. The goodwill in the Company's U.S. operations is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 6 to the Statements for information regarding the Company's annual goodwill impairment reviews.

Other assets, income taxes receivable, net deferred tax assets, assets held for sale and capital assets at September 30, 2019 and 2018 and December 31, 2018 were not significant.

Total liabilities increased by $33,264,000 to $311,862,000 at September 30, 2019 compared to $278,598,000 at December 31, 2018 and were $72,621,000 higher than the $239,241,000 at September 30, 2018. The increase mainly resulted from higher bank indebtedness and convertible debentures issued.

Amounts due to clients decreased by $382,000 to $2,774,000 at September 30, 2019 compared to $3,156,000 at December 31, 2018 and were $450,000 below the $3,224,000 at September 30, 2018. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness increased by $18,806,000 to $241,668,000 at September 30, 2019 compared to $222,862,000 at December 31, 2018 and was $46,378,000 higher than the $195,290,000 at September 30, 2018. Bank indebtedness mainly increased to fund the rise in Loans. In the third quarter of 2018, the Company increased its bank credit facility to $292 million for a three-year term maturing on July 25, 2021 with a syndicate of six banks. In July 2019, the Company's banking syndicate approved a $75 million increase in the facility taking the Company's credit limit to $367 million. The Company was in compliance with all loan covenants under the current and previous bank facilities in the first nine months of 2019 and 2018. Bank indebtedness principally fluctuates with the quantum of Loans outstanding.

Loan payable increased by $3,800,000 to $9,495,000 at September 30, 2019 compared to $5,695,000 at December 31, 2018 and was $4,162,000 higher than the $5,333,000 at September 30, 2018. A revolving line of credit totalling $13,241,000 (US$10,000,000) was established during the second quarter of 2018 with a non-bank lender, bearing interest varying with the U.S. base rate. This line of credit was established to finance BondIt's business and is collateralized by all of its assets. BondIt failed a specific covenant test at September 30, 2019 which the lender subsequently waived. See note 9 to the Statements.

Accounts payable and other liabilities decreased by $1,391,000 to $9,303,000 at September 30, 2019 compared to $10,694,000 at December 31, 2018 and were $2,259,000 below the $11,562,000 a year earlier. The decrease since December 31, 2018 mainly resulted from payment of liabilities relating to the issuance of convertible debentures in December 2018 and 2018 employee bonuses.

Notes payable increased by $691,000 to $18,770,000 at September 30, 2019 compared to $18,079,000 at December 31, 2018 but were $3,291,000 below the $22,061,000 at September 30, 2018. The increase in notes payable since last year-end resulted from new notes issued, as well as accrued interest. Please see Related Party Transactions section below and note 10 to the Statements.

Convertible debentures with a face value of $18.4 million were issued by the Company in December 2018. These debentures are listed for trading on the Toronto Stock Exchange ("TSX"). On January 18, 2019, the underwriters of the convertible debenture issue exercised their over-allotment option and a further 1,090 debentures were issued with a face value of $1,090,000. On July 23, 2019, the Company issued a further 1,160 convertible debentures with a face value of $1,160,000 by way of private placement, bringing the total face value of these listed debentures issued to $20,650,000, being the maximum that could be issued under their trust indenture. The debentures issued on July 23, 2019 were issued at a $23,200 discount to face value and overall gross proceeds of these TSX listed debentures was $20,626,800. On September 13, 2019, under a supplemental trust indenture, 5,000 unlisted convertible debentures were issued with similar terms to the TSX listed debentures, bringing the total face value of debentures issued to $25,650,000. These unsecured convertible debentures carry a coupon rate of 7.0% with interest payable semi-annually on June 30 and December 31 each year. These debentures mature on December 31, 2023 and are convertible at the option of the holder into common shares at a conversion price of $13.50 per common share. Net of transaction costs, a total of $23,781,000 was raised. Please see note 11 to the Statements, which details how the debt and equity components of the convertible debentures were allocated. At September 30, 2019, the debt component was $23,171,000 (December 31, 2018 – $15,955,000, September 30, 2018 – nil), while the equity component was $1,005,000 (December 31, 2018 – $755,000, September 30, 2018 – nil), net of deferred taxes.

As described above, the Company adopted IFRS 16 on January 1, 2019 pursuant to which lease liabilities totalling $2,027,000 for four of the Company's office leases were recognized as a liability. Outstanding lease liabilities totalled $1,725,000 at September 30, 2019. See detailed discussion in notes 3(a) and 12 to the Statements.

Income taxes payable, deferred income and net deferred tax liabilities at September 30, 2019 and 2018 and December 31, 2018 were not material.

Capital stock totalled $8,275,000 at September 30, 2019 compared to $8,115,000 at December 31, 2018 and $6,914,000 at September 30, 2018. There were 8,445,783 common shares outstanding at September 30, 2019 (December 31, 2018 – 8,428,542, September 30, 2018 – 8,309,642). Please see note 13 to the Statements and the consolidated statements of changes in equity on page 22 of this report for details of changes in capital stock during the first nine months of 2019 and 2018. At the date of this MD&A, October 30, 2019, 8,445,783 common shares remained outstanding.

Contributed surplus totalled $1,323,000 at September 30, 2019 compared to $1,073,000 at December 31, 2018 and $317,000 at September 30, 2018. As noted above, included in contributed surplus at September 30, 2019, is the equity component of the convertible debentures issued which totalled $1,005,000, net of deferred tax (December 31, 2018 – $755,000, September 30, 2018 – nil). Please refer to note 11 to the Statements. Please see the consolidated statements of changes in equity on page 22 of this report for details of changes in contributed surplus during the first nine months of 2019 and 2018.

Retained earnings totalled $76,382,000 at September 30, 2019 compared to $71,559,000 at December 31, 2018 and $67,700,000 at September 30, 2018. In the first nine months of 2019, retained earnings increased by $4,823,000. The increase comprised shareholders' net earnings of $7,102,000 less dividends paid of $2,279,000 (27 cents per common share). Please see the consolidated statements of changes in equity on page 22 of this report for details of changes in retained earnings during the first nine months of 2019 and 2018.

The Company's accumulated other comprehensive income ("AOCI") account solely comprises the cumulative unrealized foreign exchange income arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance totalled $7,512,000 at September 30, 2019 compared to $9,072,000 at December 31, 2018 and $6,673,000 at September 30, 2018. Please refer to note 17 to the Statements and the consolidated statements of changes in equity on page 22 of this report, which details movements in the AOCI account during the first nine months of 2019 and 2018. The $1,560,000 decrease in AOCI balance in the first nine months of 2019 resulted from a decline in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar declined from $1.3637 at December 31, 2018 to $1.3241 at September 30, 2019. This reduced the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$33 million by $1,560,000.

Liquidity and Capital Resources

The Company considers its capital resources to include equity and debt, namely, its bank indebtedness and notes payable. The Company has no term debt outstanding. The Company's objectives when managing its capital are to: (i) maintain financial flexibility in order to meet financial obligations and continue as a going concern; (ii) maintain a capital structure allows the Company to finance its growth using internally-generated cash flow and debt capacity; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company manages its capital resources and makes adjustments to them in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital resources, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay debt. Amongst other things, the Company monitors the ratio of its debt to total equity and its total equity and tangible equity to total assets. These ratios are set out in the table below.

(as a percentage)	Sept. 30 2019	Dec. 31, 2018	Sept. 30, 2018
Total equity / Assets	24%	25%	26%
Tangible equity / Assets	20%	20%	21%
Debt* / Total equity	299%	276%	259%

* *Debt comprises bank indebtedness, loan payable, notes payable and convertible debentures*

The Company's financing and capital requirements generally increase with the level of Loans outstanding. The collection period and resulting turnover of outstanding receivables and loans also impact financing needs. In addition to cash flow generated from operations, the Company maintains lines of credit in Canada and the United States. The Company can also raise funds through its notes payable program or raise other forms of debt, such as convertible debentures, or equity.

The Company had credit lines totalling approximately

Contractual Obligations and Commitments at September 30, 2019

	Payments due in				
(in thousands)	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter	**Total**
Debt obligations	$ 257,760	$ 12,174	$ 23,171	$ —	**$ 293,105**
Operating lease obligations	498	1,036	261	230	**2,025**
Purchase obligations	36	—	—	—	**36**
	$ 258,294	$ 13,210	$ 23,432	$ 230	**$ 295,166**

$380 million at September 30, 2019 and had borrowed $251 million against these facilities. Funds generated through operating activities and the issuance of notes payable, convertible debentures or other forms of debt or equity decrease the usage of, and dependence on, these lines. Note 21(b) details the Company's financial assets and liabilities at September 30, 2019 by maturity date.

As noted in the Review of Financial Position section above, the Company had cash balances of $4,717,000 at September 30, 2019 compared to $16,346,000 at December 31, 2018. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

Management believes that current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet the cash requirements of working capital, capital expenditures, operating expenditures, interest and dividend payments and will provide sufficient liquidity and capital resources for future growth over the next twelve months.

Cash flow for the nine months ended September 30, 2019 compared with the nine months ended September 30, 2018

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $10,276,000 in the first nine months of 2019 compared to $9,869,000 last year. After changes in operating assets and liabilities and income tax payments are taken into account, there was a net cash outflow from operating activities of $44,015,000 in the first nine months of 2019 compared to $71,779,000 last year. The net cash outflow in the current nine months largely resulted from financing gross loans of $51,612,000. In the first nine months of 2018, the net cash outflow largely resulted from financing gross loans of $80,034,000. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows on page 23 of this report.

Cash outflows from investing activities totalled $159,000 (2018 – $444,000) in the first nine months and comprised capital assets additions.

Net cash inflow from financing activities totalled $32,928,000 in the first nine months of 2019 compared to $64,887,000 last year. The net cash inflow in the current nine months resulted from an increase in bank indebtedness of $23,497,000, a rise in loan payable of $3,979,000, notes payable issued, net, of $796,000, and the issue of convertible debentures of $7,227,000 and common shares of $160,000. Partially offsetting this inflow were dividend payments totalling $2,279,000, lease liabilities payments of $271,000 and a distribution paid to non-controlling interests of $181,000. In the first nine months of 2018, the net cash inflow resulted from an increase in bank indebtedness of $55,231,000, notes payable issued, net, of $6,163,000, an increase in loan payable of $5,718,000 and common shares issued of $18,000, which inflows were partly offset by dividend payments totalling $2,243,000.

The effect of exchange rate changes on cash comprised a loss of $382,000 in the first nine months of 2019 compared to $76,000 in the first nine months of 2018.

Overall, there was a net cash outflow of $11,629,000 in the first nine months of 2019 compared to $7,412,000 in first nine months of 2018.

Related Party Transactions

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. Notes payable comprise short-term notes (due within one year) and long-term notes due on July 31, 2021.

The short-term notes comprise: (i) notes due on, or within a week of, demand ($3,617,000) which bear interest at rates that vary with bank prime rate or Libor; and (ii) numerous BondIt notes ($2,979,000) which are repayable on various dates, the latest of which is December 31, 2019, and bear interest at rates between 7% and 12%. The long-term notes, which total $12,174,000 and mature on July 31, 2021, were entered into for a three-year term commencing August 1, 2018. They carry a fixed interest rate of 7%.

Notes payable totalled $18,770,000 at September 30, 2019 compared with $18,079,000 at December 31, 2018 and $22,061,000 at September 30, 2018. Of these notes payable, $15,977,000 (December 31, 2018 – $15,536,000, September 30, 2018 – $19,662,000) was owing to related parties and $2,793,000 (December 31, 2018 – $2,543,000, September 30, 2018 – $2,399,000) to third parties. Interest expense on these notes in the current quarter and first nine months of 2019 totalled $330,000 (2018 – $309,000) and $962,000 (2018 – $655,000), respectively. Please refer to note 10 to the Statements.

The following parties had notes payable with the Company:

Short-term notes payable			
Hitzig Bros., Hargreaves & Co. Inc.*	Directors	C$	880,000
Hitzig Bros., Hargreaves & Co. LLC*	Directors	US$	700,000
Ken Hitzig	Director	C$	250,000
Tom Henderson	Director	US$	161,612
Term notes payable (due July 31, 2021)			
Hitzig Bros., Hargreaves & Co. Inc.*	Directors	C$	3,500,000
Oakwest Corporation Inc.*	Director	C$	2,000,000
Belweather Capital Partners Inc.*	Director	C$	1,000,000
Ken Hitzig	Director	C$	1,500,000

* *a director(s) of the Company has an ownership interest in this company*

Accord pays a rate of interest related to Canadian prime (currently it pays 3.45% or 3.95%) on its Canadian dollar unsecured demand notes payable, while its U.S. dollar unsecured demand notes pay a LIBOR based rate of interest (currently 3.50%). These rates of interest are below the rates that Accord pays on its main syndicated bank facility with The Bank of Nova Scotia ("BNS"), resulting in interest savings to the Company.

Upon renewal of the BNS facility, the Company entered into three-year unsecured notes payable maturing July 31, 2021. These notes are solely with related parties and pay a rate of interest of 7%. The renewed credit facility allows these three-year notes to be treated as "quasi-equity" and be included in the Company's tangible net worth (TNW) for the purpose of leveraging its bank line (up to 3.5 x TNW). This created additional borrowing capacity that Accord can utilize at lower credit facility rates of interest, which was the main business purpose thereof.

Financial Instruments

All financial assets and liabilities, with the exception of cash, derivative financial instruments, the guarantee of managed receivables and the Company's LTIP liability, are recorded at cost. The exceptions noted are recorded at fair value. Financial assets and liabilities, other than the lease receivables and loans to clients in our equipment finance business and lease liabilities, are short-term in nature and, therefore, their carrying values approximate fair values.

At September 30, 2019, the Company had entered into forward foreign exchange contracts with a financial institution which must be exercised by the Company between December 31, 2019 and January 31, 2020 and which oblige the Company to sell Canadian dollars and buy US$340,000 at exchange rates between 1.327 and 1.350. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company will buy Canadian dollars from and sell US$340,000 to the client. These contracts are discussed further in note 16 to the Statements.

Critical Accounting Policies and Estimates

Critical accounting estimates represent those estimates that are highly uncertain and for which changes in those estimates could materially impact the Company's financial results. The following are accounting estimates that the Company considers critical to the financial results of its business segments:

i) the allowance for losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic environment, condition of the loan and receivable portfolios, typical industry loss experience, macro-economic factors and forward-looking information. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency.

The Company's allowance for losses on its Loans and its guarantee of managed receivables are provided for under the three stage criteria set out in IFRS 9, where a Stage 1 allowance is established to reserve against ECL which have not experienced a significant increase in credit risk ("SICR") and which cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. Stage 1 ECL results from default events on the financial instrument that are possible within the twelve-month period after the reporting date. Stage 1 accounts are considered to be in good standing. In establishing its Stage 1 allowances, the Company applies percentage formulae to its Loans and managed receivables based on its credit risk analysis. The Company's Stage 2 allowances are based on a review of the loan or managed receivable and comprises an allowance for those financial instruments which have experienced a SICR since initial recognition. The Company generally considers an account to have a SICR when there is a change in internal risk rating since initial recognition which prompts the Company to place the account on its "watchlist." Lifetime ECL are recognized for all Stage 2 financial instruments. Stage 3 financial instruments are those that the Company has classified as impaired. The Company classifies a financial instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. The Company also refers to these accounts as "workout" accounts. Lifetime ECL are recognized for all Stage 3 financial instruments. In Stage 3, financial instruments are written-off, either partially or in full, against the related allowance for losses when the Company judges that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net realizable value. Any subsequent recoveries of amounts previously written-off are credited to the respective allowance for losses. Management believes that its allowances for losses are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and in notes 3(e), 4 and 21(a) to the Statements.

ii) the extent of any provisions required for outstanding claims. In the normal course of business there is outstanding litigation, the results of which are not normally expected to have a material effect upon the Company. However, the adverse resolution of a particular claim could have a material impact on the Company's financial results. Management is not aware of any claims currently outstanding the aggregate liability from which would materially affect the financial position of the Company.

Adoption of New Accounting Policy

Effective January 1, 2019, the Company adopted a new accounting standard as issued by the International Accounting Standards Board comprising IFRS 16, Leases, which replaced IAS 17, Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 was applied using the modified retrospective method pursuant to which the Company will not have to restate 2018 comparatives.

The adoption of IFRS 16 resulted in a fundamental change to the accounting treatment of leases. IFRS 16 eliminated the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is now a single, on-balance sheet accounting model that is similar to current finance lease accounting. Under IFRS 16, right-of-use assets and lease liabilities have been recognized at the date of implementation resulting in an increase in both assets and liabilities. Lessees also recognize depreciation expense on the right-of-use assets and interest expense on the lease liabilities in the income statement. The Company has elected to use exemptions available under IFRS 16 for lease terms which end within twelve months of January 1, 2019, and also for lease contracts of certain office equipment that are considered low value. On adoption of IFRS 16, the Company recognized right-of-use assets in respect of four of its office leases totalling $2,027,000 and related lease liabilities in the same amount. There was no impact on the Company's retained earnings. Adoption of IFRS 16 did not have a material impact on the Company's net earnings. For further details, please refer to note 3(a) to the Statements.

Control Environment

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal Control over Financial Reporting ("ICFR") is a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at September 30, 2019, management evaluated and concluded on the effective design of the Company's DC&P and ICFR and determined that there were no material changes to the Company's ICFR during the three months then ended that materially affected, or were reasonably likely to materially affect, the Company's ICFR.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate and, as such, there can be no assurance that any design will succeed in achieving its stated goal under all potential conditions.

Risks And Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 21 to the Statements, which discuss the Company's principal financial risk management practices.

Competition from alternative sources of financing

The Company operates in an intensely competitive environment and its results could be significantly affected by the activities of other industry participants. The Company expects this level of competition to persist in the future as the markets for its services continue to develop and as additional companies enter its markets. There can be no assurance that the Company will be able to compete effectively with current or future competitors. If the Company's competitors engage in aggressive pricing policies with respect to services that compete with those of the Company's, the Company would likely lose some clients or be forced to lower its rates, both of which could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, some of the Company's competitors may have higher risk tolerances or different risk assessments, which could allow them to establish more origination sources and customer relationships to increase their market share. Further, because there are fewer barriers to entry to the markets in which the Company operates, new competitors could enter these markets at any time. Because of all these competitive factors, the Company may be unable to sustain its operations at its current levels or generate growth in revenues or operating income, either of which could have a material adverse impact on the Company's business, financial condition and results of operations.

Credit risk, inability to underwrite finance receivables and loan applications

The Company is in the business of financing its clients' receivables and making asset-based loans, including inventory and equipment financings, designed to serve small- and medium-sized businesses, which are often owner-operated and have limited access to traditional financing. There is a high degree of risk associated with providing financing to such parties as a result of their lower creditworthiness. Even with an appropriately diversified lending business, operating results can be adversely affected by large bankruptcies and/or insolvencies. Losses from client loans in excess of the Company's expectations could have a material adverse impact on the Company's business, financial condition and results of operations.

In addition, since defaulted loans as well as certain delinquent loans cannot be used as collateral under the Company's credit facilities, higher than anticipated defaults and delinquencies could adversely affect the Company's liquidity by reducing the amount of funding available to the Company under these financing arrangements. Furthermore, increased rates of delinquencies or loss levels could cause the Company to be in breach of its financial covenants under its credit facilities, and could also result in adverse changes to the terms of future financing arrangements available to the Company, including increased interest rates payable to lenders and the imposition of more burdensome covenants and increased credit enhancement requirements.

Interest rate risk

The Company has fixed rate borrowings, as well as floating rate borrowings. The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes. However, as the Company's floating rate funds employed currently exceed its floating rate borrowings, the Company is exposed to some degree to interest rate fluctuations. Fluctuations in interest rates may have a material adverse impact on the Company's business, financial condition and results of operations.

Foreign currency risk

The Company has international operations, primarily in the United States. Accordingly, a significant portion of its financial resources are held in currencies other than the Canadian dollar. In recent years, the Company has seen the fluctuations in the U.S. dollar against the Canadian dollar affect its operating results when its foreign subsidiaries results are translated into Canadian dollars. It has also affected the value of the Company's net Canadian dollar investment in its foreign subsidiaries, which had, in the past, reduced the accumulated other comprehensive income component of equity to a loss position, although it is now in a large gain position. No assurances can be made that changes in foreign currency rates will not have a significant adverse effect on the Company's business, financial condition or results of operations.

External financing

The Company depends and will continue to depend on the availability of credit from external financing sources, to continue to, among other things, finance new and refinance existing loans and satisfy the Company's other working capital needs. The Company believes that current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet its cash requirements with respect to investments in working capital, operating expenditures and dividend payments, and also provide sufficient liquidity and capital resources for future growth over the next twelve months. However, there is no guarantee that the Company will continue to have financing available to it or if the Company were to require additional financing that it would be able to obtain it on acceptable terms or at all. If any or all of the Company's funding sources become unavailable on terms acceptable to the Company or at all, or if any of the Company's credit facilities are not renewed or re-negotiated upon expiration of their terms, the Company may not have access to the financing necessary to conduct its businesses, which would limit the Company's ability to finance its operations and could have a material adverse impact on it's business, financial condition and results of operations.

Deterioration in economic or business conditions; impact of significant events and circumstances

The Company operates mainly in Canada and the United States. The Company's operating results may be negatively affected by various economic factors and business conditions, including the level of economic activity in the markets in which it operates. To the extent that economic activity or business conditions deteriorate, delinquencies and credit losses may increase.

As the Company extends credit primarily to small- and medium-sized businesses, many of its customers are particularly susceptible to economic slowdowns or recessions, and may be unable to make scheduled lease or loan payments during these periods. Unfavorable economic conditions may also make it more difficult for the Company to maintain new origination volumes and the credit quality of new loans at levels previously attained. Unfavorable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities and other capital markets funding sources or result in a decision by the Company's lenders not to extend further credit. Any of these events could have a material adverse impact on the Company's business, financial condition and results of operations.

Dependence on key personnel

Employees are a significant asset of the Company, and the Company depends to a large extent upon the abilities and continued efforts of its key operating personnel and senior management team. If any of these persons becomes unavailable to continue in such capacity, or if the Company is unable to attract and retain other qualified employees, it could have a material adverse impact on the Company's businesses, financial condition and results of operations. Market forces and competitive pressures may also adversely affect the ability of the Company to recruit and retain key qualified personnel.

Income tax matters

The income of the Company must be computed in accordance with Canadian, U.S. and foreign tax laws, as applicable, and the Company is subject to Canadian, U.S. and foreign tax laws, all of which may be changed in a manner that could adversely affect the Company's business, financial condition or results of operation.

Recent and future acquisitions and investments

In recent years, the Company has acquired or invested in businesses and may seek to acquire or invest in additional businesses in the future that expand or complement its current business. Recent acquisitions by the Company have increased the size of the Company's operations and the amount of indebtedness that may have to be serviced by the Company and future acquisitions by the Company, if they occur, may result in further increases in the Company's operations or indebtedness. The successful integration and management of any recently acquired businesses or businesses acquired in the future involves numerous risks that could adversely affect the Company's business, financial condition, or results of operations, including: (i) the risk that management may not be able to successfully manage the acquired businesses and that the integration of such businesses may place significant demands on management, diverting their attention from the Company's existing operations; (ii) the risk that the Company's existing operational, financial, management, due diligence or underwriting systems and procedures may be incompatible with the markets in which the acquired business operates or inadequate to effectively integrate and manage the acquired business; (iii) the risk that acquisitions may require substantial financial resources that otherwise could be used to develop other aspects of the Company's business; (iv) the risk that as a result of acquiring a business, the Company may become subject to additional liabilities or contingencies (known and unknown); (v) the risk that the personnel of any acquired business may not work effectively with the Company's existing personnel; (vi) the risk that the Company fails to effectively deal with competitive pressures or barriers to entry applicable to the acquired business or the markets in which it operates or introduce new products into such markets; and (vii) the risk that the acquisition may not be accretive to the Company. The Company may fail to successfully integrate such acquired businesses or realize the anticipated benefits of such acquisitions, and such failure could have a material adverse impact on the Company's business, financial condition and results of operations.

Fraud by lessees, borrowers, vendors or brokers

The Company may be a victim of fraud by lessees, borrowers, vendors and brokers. In cases of fraud, it is difficult and often unlikely that the Company will be able to collect amounts owing under a lease/loan or repossess any related collateral. Increased rates of fraud could have a material adverse impact on the Company's business, financial condition and results of operations.

Risk of future legal proceedings

The Company is threatened from time to time with, or is named as a defendant in, or may become subject to, various legal proceedings, fines or penalties in the ordinary course of conducting its businesses. A significant judgment or the imposition of a significant fine or penalty on the Company could have a material adverse impact on the Company's business, financial condition and results of operation. Significant obligations may also be imposed on the Company by reason of a settlement or judgment involving the Company, as well as risks pertinent to financing facilities, including acceleration and/or loss of funding availability. Publicity regarding involvement in matters of this type, especially if there is an adverse settlement or finding in the litigation, could result in adverse consequences to the Company's reputation that could, among other things, impair its ability to retain existing or attract further business. The continuing expansion of class action litigation in U.S. and Canadian court actions has the effect of increasing the scale of potential judgments. Defending such a class action or other major litigation could be costly, divert management's attention and resources and have a material adverse impact on the Company's business, financial condition and results of operations.

Outlook

The Company's principal objective is managed growth – putting quality new business on the books while maintaining high underwriting standards.

The Company, which had a record year in 2018, is benefitting from the continued substantial growth in its funds employed, which have grown 175% from the $140 million at the end to 2016 to finish the first nine months of 2019 at $385 million. Growth in funds employed, a key indicator of where the Company is heading, has been achieved organically through the introduction of new lending products and through the investments in ASBF in 2014, and BondIt and CapX in the second half of 2017.

Revenue in the first nine months of 2019 is up 23% from 2018 and will continue to grow as more funds are deployed. Funds employed at September 30, 2019 were 42% higher than 2018's average. Growth in funds employed is expected to continue and will result in improved revenues in the future which bodes well for future results, although the Company continues to face intense competition, particularly in the U.S. which has resulted in lower loan yields there in recent years. It is anticipated that the Company's asset-based financing units, AFIC and AFIU, will be able to continue to build on their growth, particularly in the U.S. where synergies with CapX are being realized, despite operating in very competitive markets. The Company's Canadian equipment financing and leasing business, ASBF, is forecasting growth to continue in future years. That unit continues to expand its product offerings, including working capital loans and the equipment revolving line of credit product it introduced in 2017, as well as carefully increasing its average equipment finance deal size.

Our newest group companies are also expected to grow their funds employed. BondIt's funds employed are seeing growth, while CapX, which started from scratch in the fourth quarter of 2017, had grown funds employed to $102 million at the end of September 2019. Our credit protection and receivables management business faces intense competition from multinational credit insurers which is expected to continue.

To support this growth, in July 2019 the Company's banking syndicate approved a $75 million increase in its bank facility bringing the Company's bank facility limit to $367 million. This should provide it with the majority of funding needed to support further growth in the next twelve months. In addition, since December 2018, the Company has raised $25.6 million through convertible debenture offerings, including $6.2 million raised in the third quarter of 2019. We will continue to review alternative sources of financing to augment our balance sheet if and when necessary.

U.S. tax regulations released in December 2018 have impacted tax planning such that the Company will see an increase in its effective tax rate and income tax expense in 2019 and potentially for years thereafter. This has impacted net earnings in the first nine months of 2019. The Company is currently reviewing alternative tax planning opportunities in order to lower its effective tax rate in future years.

With its substantial capital and borrowing capacity, Accord is well positioned to capitalize on market conditions. That, coupled with experienced management and employees, will enable the Company to meet increased competition and develop new opportunities. Accord continues to introduce new financial and credit services to fuel growth in a very competitive and challenging environment.

Stuart Adair

Stuart Adair
Senior Vice President, Chief Financial Officer
October 30, 2019

Consolidated Statements of Financial Position (unaudited)

	September 30, 2019	December 31, 2018	September 30, 2018
Assets			
Cash	$ 4,717,257	$ 16,345,848	$ 5,045,262
Finance receivables and loans, net (note 4)	380,908,627	335,651,770	299,568,457
Income taxes receivable	860,827	327,553	411,940
Other assets	2,301,585	1,133,367	1,199,700
Assets held for sale	—	46,882	46,882
Deferred tax assets, net	1,156,348	1,207,699	694,248
Capital assets	856,284	923,080	965,896
Right-of-use assets (note 5)	1,668,488	—	—
Intangible assets (note 7)	3,780,483	4,115,886	4,016,471
Goodwill (note 6)	13,678,534	14,031,320	13,381,874
	$ 409,928,433	$ 373,783,405	$ 325,330,730
Liabilities			
Due to clients	$ 2,773,763	$ 3,156,045	$ 3,224,218
Bank indebtedness (note 8)	241,668,297	222,861,724	195,290,263
Loan payable (note 9)	9,495,272	5,695,568	5,333,117
Accounts payable and other liabilities	9,302,945	10,693,554	11,562,042
Income taxes payable	2,528,383	129,083	210,008
Notes payable (note 10)	18,770,295	18,078,919	22,061,223
Convertible debentures (note 11)	23,171,480	15,954,642	—
Lease liabilities (note 12)	1,725,193	—	—
Deferred income	1,519,077	1,514,199	1,484,456
Deferred tax liabilities, net	906,867	514,700	75,551
	311,861,572	278,598,434	239,240,878
Equity			
Capital stock (note 13)	$ 8,275,074	$ 8,114,733	$ 6,914,153
Contributed surplus (note 13(c))	1,322,575	1,072,753	317,470
Retained earnings	76,381,673	71,558,552	67,700,330
Accumulated other comprehensive income (note 17)	7,512,000	9,071,661	6,672,604
Shareholders' equity	93,491,322	89,817,699	81,604,557
Non-controlling interests in subsidiaries	4,575,539	5,367,272	4,485,295
Total equity	98,066,861	95,184,971	86,089,852
	$ 409,928,433	$ 373,783,405	$ 325,330,730

Notice to Reader - Management has prepared these condensed interim unaudited consolidated financial statements and notes and is responsible for the integrity and fairness of the financial information presented therein. They have been reviewed and approved by the Company's Audit Committee and Board of Directors. Pursuant to National Instrument 51-102, Part 4, Subsection 4.3(3)(a), the Company advises that its independent auditor has not performed a review or audit of these condensed interim unaudited consolidated financial statements.

Consolidated Statements of Earnings (unaudited)

Three and nine months ended September 30	Three months 2019	Three months 2018	Nine months 2019	Nine months 2018
Revenue				
Interest (note 4)	$ 13,462,545	$ 10,252,530	$ 36,819,685	$ 26,984,820
Other income (note 4)	1,836,639	2,867,312	5,058,725	6,991,336
	15,299,184	13,119,842	41,878,410	33,976,156
Expenses				
Interest	4,385,557	2,654,693	12,696,949	6,112,223
General and administrative	6,501,610	5,810,497	18,924,021	16,930,466
Provision for credit and loan losses (note 4)	718,893	1,234,129	1,011,065	2,859,189
Impairment of assets held for sale	—	—	—	25,000
Depreciation	183,662	61,639	543,587	160,223
Business acquisition expenses:				
Transaction costs	(627,757)	151,496	(434,331)	477,687
Amortization of intangible assets	73,986	102,834	226,146	307,031
	11,235,951	10,015,288	32,967,437	26,871,819
Earnings before income tax	4,063,233	3,104,554	8,910,973	7,104,337
Income tax expense	1,079,000	274,000	2,267,000	207,000
Net earnings	2,984,233	2,830,554	6,643,973	6,897,337
Net (loss) earnings attributable to non-controlling interests in subsidiaries	(253,030)	214,867	(457,958)	701,948
Net earnings attributable to shareholders	$ 3,237,263	$ 2,615,687	$ 7,101,931	$ 6,195,389
Basic and diluted earnings per common share (note 14)	$ 0.38	$ 0.31	$ 0.84	$ 0.75

Consolidated Statements of Comprehensive Income (unaudited)

Three and nine months ended September 30	Three months 2019	Three months 2018	Nine months 2019	Nine months 2018
Net earnings	$ 3,237,263	$ 2,615,687	$ 7,101,931	$ 6,195,389
Other comprehensive income (loss):				
Items that are or may be reclassified to profit or loss:				
Unrealized foreign exchange income (loss) on translation of self-sustaining foreign operations (note 17)	404,130	(677,788)	(1,559,661)	1,079,178
Comprehensive income	$ 3,641,393	$ 1,937,899	$ 5,542,270	$ 7,274,567

Consolidated Statements of Changes in Equity (unaudited)

	Capital Stock						
	Number of common shares outstanding	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Non-controlling interests in subsidiaries	Total equity
Balance at January 1, 2019	**8,428,542**	**$ 8,114,733**	**$ 1,072,753**	**$ 71,558,552**	**$ 9,071,661**	**$ 5,367,272**	**$ 95,184,971**
Comprehensive Income	**—**	**—**	**—**	**7,101,931**	**(1,559,661)**	**—**	**5,542,270**
Common shares issued under long-term incentive plan	**17,241**	**160,341**	**—**	**—**	**—**	**—**	**160,341**
Equity component of convertible debentures issued, net of tax	**—**	**—**	**249,822**	**—**	**—**	**—**	**249,822**
Net (loss) attributable to non-controlling interests in subsidiaries	**—**	**—**	**—**	**—**	**—**	**(457,958)**	**(457,958)**
Dividends paid	**—**	**—**	**—**	**(2,278,810)**	**—**	**—**	**(2,278,810)**
Distribution to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(181,213)**	**(181,213)**
Translation adjustment on non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(152,562)**	**(152,562)**
Balance at September 30, 2019	**8,445,783**	**$ 8,275,074**	**$ 1,322,575**	**$ 76,381,673**	**$ 7,512,000**	**$ 4,575,539**	**$ 98,066,861**

Balance at January 1, 2018	8,307,713	$ 6,896,153	$ 297,825	$ 63,661,034	$ 5,593,426	$ 3,684,071	$ 80,132,509
Comprehensive Income	—	—	—	6,195,389	1,079,178	—	7,274,567
Common shares issued under long-term incentive plan	1,929	18,000	—	—	—	—	18,000
Net earnings attributable to non-controlling interests in subsidiaries	—	—	—	—	—	701,948	701,948
Stock-based compensation expense related to stock option grants	—	—	19,645	—	—	—	19,645
Dividends paid	—	—	—	(2,243,257)	—	—	(2,243,257)
Translation adjustment on non-controlling interests	—	—	—	—	—	105,436	105,436
Impact of IFRS 9 remeasurement	—	—	—	87,164	—	(6,160)	81,004
Balance at September 30, 2018	8,309,642	$ 6,914,153	$ 317,470	$ 67,700,330	$ 6,672,604	$ 4,485,295	$ 86,089,852

Consolidated Statements of Cash Flows (unaudited)

Nine months ended September 30	2019	2018
Cash provided by (used in)		
Operating activities		
Net earnings	$ 6,643,973	$ 6,897,337
Items not affecting cash:		
Allowance for losses, net of charge-offs and recoveries	291,579	2,083,095
Deferred income	(11,062)	166,808
Amortization of intangible assets	226,146	307,031
Depreciation of capital assets	215,977	160,223
Depreciation of right-of-use assets	327,610	—
Loss on disposal of capital assets	—	2,941
Impairment of assets held for sale	—	25,000
Gain on disposal of assets held for sale	(39,793)	—
Stock-based compensation expense related to stock option grants	—	19,645
Accretion of convertible debentures	355,009	—
Deferred tax expense (recovery)	254,809	(136,136)
Current income tax expense	2,012,191	343,136
	10,276,439	9,869,080
Changes in operating assets and liabilities		
Finance receivables and loans, gross	(51,611,540)	(80,033,556)
Due to clients	(366,101)	(1,421,218)
Other assets	(1,191,316)	(599,465)
Accounts payable and other liabilities	(1,147,596)	354,151
Proceeds on disposal of assets held for sale	86,675	—
Income tax paid (refund), net	(61,545)	52,326
	(44,014,984)	(71,778,682)
Investing activities		
Additions to capital assets, net	(159,045)	(443,667)
Financing activities		
Bank indebtedness	23,496,311	55,230,814
Loan payable	3,978,876	5,718,102
Notes payable issued, net	796,158	6,163,080
Issuance of common shares	160,341	18,000
Dividends paid	(2,278,810)	(2,243,257)
Convertible debentures issued	7,226,800	—
Distribution paid to non-controlling interests in subsidiaries	(181,213)	—
Lease liabilities	(270,795)	—
	32,927,668	64,886,739
Effect of exchange rate changes on cash	(382,230)	(76,128)
Decrease in cash	(11,628,591)	(7,411,738)
Cash at January 1	16,345,848	12,457,000
Cash at September 30	$ 4,717,257	$ 5,045,262
Supplemental cash flow information		
Net cash used in operating activities includes:		
Interest paid	$ 10,600,698	$ 5,569,963

Notes to the Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and 2018

1. Description of the business

Accord Financial Corp. (the “Company”) is incorporated by way of Articles of Continuance under the Ontario Business Corporations Act and, through its subsidiaries, is engaged in providing factoring, financing, leasing, credit investigation, credit protection and receivables management, to industrial and commercial enterprises, principally in Canada and the United States. The Company's registered office is at 40 Eglinton Avenue East, Suite 602, Toronto, Ontario, Canada.

2. Basis of presentation and statement of compliance

These condensed interim unaudited consolidated financial statements (“Statements”) are expressed in Canadian dollars, the Company’s functional and presentation currency, and are prepared in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These Statements do not include all of the information and footnotes required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). They have been prepared using the accounting policies that the Company expects to utilize in its consolidated financial statements for the year ending December 31, 2019, the more significant of which are detailed in note 3. These accounting policies are based on IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations that the Company expects to be applicable at that time. These Statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report for the fiscal year ended December 31, 2018.

The preparation of the condensed interim unaudited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates that are particularly judgmental relate to the determination of the allowance for losses relating to finance receivables and loans and to the guarantee of managed receivables (notes 3(e) and 4), the determination of goodwill on acquisition and the value of intangible assets (notes 6 and 7), as well as the net realizable value of deferred tax assets and liabilities. Management believes that these estimates are reasonable and appropriate. The condensed interim unaudited consolidated financial statements of the Company have been prepared on an historical cost basis except for the following items which are recorded at fair value:

- Cash
- Derivative financial instruments (a component of other assets and/or accounts payable and other liabilities)
- Senior executive long-term incentive plan (“LTIP”)*
- Guarantee of managed receivables*

** a component of accounts payable and other liabilities*

These condensed interim unaudited consolidated financial statements for the three and nine months ended September 30, 2019 were approved for issue by the Company’s Board of Directors (“Board”) on October 30, 2019.

3. Significant accounting policies

(a) Adoption of new accounting policies

Effective January 1, 2019, the Company adopted a new accounting standard as issued by IASB. IFRS 16, Leases, replaced IAS 17, Leases, existing guidance on accounting for leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 affects the accounting for the Company's office leases where payments under such leases were previously expensed as part of operating expenses. On January 1, 2019, the Company assessed whether its lease contracts conveyed the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has recognized four office leases as right-of-use assets and lease liabilities under IFRS 16. The Company has elected to use the exemptions available under IFRS 16 for lease terms which end within twelve months of January 1, 2019, and also lease contracts for certain office equipment that are considered low value and, accordingly, has not recognized right-of-use assets and lease liabilities in respect of these leases. Upon adoption of IFRS 16, the Company used the modified retrospective method under which it has not restated 2018 comparatives.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date for those leases subject to the provisions of IFRS 16. A right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-to-use assets are depreciated to the end of their useful life using the straight-line method over the lease term as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 3 to 8 years for the four office leases recognized as right-of-use assets.

A lease liability is initially measured at the present value of the lease payments which are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate to determine the discount rates. A lease liability is measured at amortized cost using the effective interest method whereby payments under the lease include both a principal and an interest component. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company recognized right-of-use assets and lease liabilities at January 1, 2019 which resulted in an increase in both assets and liabilities. Right-of-use assets and lease liabilities totalling $2,027,000 were recorded at January 1, 2019, with no impact to retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rates at January 1, 2019. The discount rates applied ranged from 6.00% to 7.25%.

The following table shows the Company's operating lease obligations at December 31, 2018 that were capitalized at the present value of the lease obligations on initial application of IFRS 16 on January 1, 2019.

(in thousands)	
Undiscounted operating lease commitments at December 31, 2018	$ 2,485
Less: short-term lease commitments elected for exemption on adoption of IFRS 16	(100)
Undiscounted operating lease commitments at January 1, 2019 for leases recognized pursuant to IFRS 16	2,385
Discount using incremental borrowing rates of 6.00% to 7.25%	(358)
Lease liabilities recognized on adoption of IFRS 16 on January 1, 2019	$ 2,027

(b) Basis of consolidation

These financial statements consolidate the accounts of the Company and its wholly owned subsidiaries; namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Varion Capital Corp. (doing business as Accord Small Business Finance ("ASBF")) in Canada and Accord Financial, Inc. ("AFIU") in the United States. The Company exercises 100% control over each of its subsidiaries. The accounting policies of the Company's subsidiaries are aligned with IFRS. Intercompany balances and transactions are eliminated upon consolidation.

(c) Revenue recognition

Revenue principally comprises interest, including discount fees, and factoring commissions and other fees from the Company's asset-based financial services, including factoring and leasing, and is measured at the fair value of the consideration received. Interest charged on finance receivables and loans is recognized as revenue using the effective interest rate method. For receivables purchased in its recourse factoring business, discount fees are calculated as a discount percentage of the gross amount of the factored invoice and are recognized as revenue over the initial discount period. Additional discount fees are charged on a per diem basis if the invoice is not paid by the end of the initial discount period. For managed receivables, factoring commissions are charged upfront and a certain portion is deferred and recognized over the period that costs are incurred collecting the receivables. In the Company's leasing business, interest is recognized over the term of the lease agreement or installment payment agreement using the effective interest rate; the effective interest rate is that rate which exactly discounts estimated future cash receipts through the expected life of the lease, installment payment or loan agreement. Fees related to direct finance leases, installment payment agreements and loan receivables of ASBF and Accord CapX LLC ("CapX"), a subsidiary of AFIU, are considered an integral part of the yield earned on the debtor balance and are accounted for using the effective interest rate method. Other revenue, such as management fees, due diligence fees, documentation fees and commitment fees is recognized as revenue when earned.

(d) Finance receivables and loans

The Company finances its clients principally by providing asset-based loans, including factoring receivables and financing equipment leases. Finance receivables and loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Finance receivables and loans are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest rate method.

The Company's leasing operations have standard lease contracts that are non-cancellable direct financing leases and provide for monthly lease payments, usually for periods of one to five years. The present value of the minimum lease payments and residual values expected to be received under the lease terms is recorded at the commencement of the lease. The difference between this total value, net of execution costs, and the cost of the leased asset is unearned revenue, which is recorded as a reduction in the asset value, with the net amount being shown as the net investment in leases (specifically, the Company's lease receivables). The unearned revenue is then recognized over the life of the lease using the effective interest rate method, which provides a constant rate of return on the net investment throughout the lease term.

(e) Allowances for losses

The Company maintains allowances for losses on its finance receivables and loans and its guarantee of managed receivables pursuant to the provisions of IFRS 9, Financial Instruments, under which allowances for expected credit losses ("ECL") are recognized on all financial assets that are classified either at amortized cost or fair value through other comprehensive income ("FVOCI") and for all loan commitments and financial guarantees that are not measured at fair value through profit and loss ("FVTPL"). ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Forward-looking information is explicitly incorporated into the estimation of ECL allowances, which involves significant judgment.

The Company's ECL allowances are measured at amounts equal to either: (i) 12-month ECL (also referred to as Stage 1 ECL) which comprises an allowance for all non-impaired financial instruments which have not experienced a significant increase in credit risk ("SICR") since initial recognition. Stage 1 ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within the twelve month period after the reporting date; or (ii) lifetime ECL (also referred to as Stage 2 ECL) which comprises allowances for those financial instruments which have experienced a SICR since initial recognition. Significant judgment is required in the application of SICR. The Company generally considers an account to have a SICR when there is a change in internal risk rating since initial recognition which prompts the Company to place the account on its "watchlist." We recognize lifetime ECL for Stage 2 financial instruments compared to twelve months of ECL for Stage 1 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then the Company will revert back to recognizing twelve months of ECL as the financial instrument has migrated back to Stage 1.

The calculation of ECL is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Company expects to receive. The key inputs in the measurement of ECL allowances are as follows: (i) the probability of default (PD) which is an estimate of the likelihood of default over a given time horizon; (ii) the loss given default (LGD) which is an estimate of the loss arising in the case where a default occurs at a given time; and (iii) the exposure at default (EAD) which is an estimate of the exposure at a future default date. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument. Stage 3 financial instruments are those that the Company has classified as impaired. Lifetime ECL are recognized for all Stage 3 financial instruments. No allowance for ECL is provided for Stage 3 accounts, rather the financial instrument is written down to its estimated net realizable value, or in respect of the Company's managed receivables, an amount accrued for the expected payment under its guarantee. The Company classifies a financial instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. The Company also refers to these accounts as "workout" accounts. Accounts are in "workout" as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated and could include significant financial difficulty of the borrower, default or delinquency in interest or principal payments, a high probability of the borrower entering a phase of bankruptcy or a financial reorganization, or a measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan. A financial instrument is no longer considered impaired when all past due amounts, including interest, have been recovered, and it is determined that the principal and interest are fully collectable in accordance with the original contractual terms or revised market terms of the financial instrument with all criteria for the impaired classification having been remedied. Financial instruments are written-off, either partially or in full, against the related allowance for losses when we judge that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net realizable value. Any subsequent recoveries of amounts previously written-off are credited to the respective allowance for losses.

(f) Goodwill

Goodwill arises upon the acquisition of subsidiaries or loan portfolios. Goodwill is not amortized, but an annual impairment test is performed by comparing the carrying amount to the recoverable amount for the cash generating unit ("CGU"). If the carrying value of the goodwill exceeds its recoverable amount, the excess is charged against earnings in the year in which the impairment is determined.

(g) Intangible assets

Purchased intangible assets are recognized as assets in accordance with IAS 38, Intangible Assets, when it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be reliably determined. Intangible assets acquired are initially recognized at cost of purchase, which is also the fair value at the date acquired, and are subsequently carried at cost less accumulated amortization and, if applicable, accumulated impairment losses. The Company's intangible assets, with the exception of the acquired brand name which is considered to have an indefinite life and is not amortized, have a finite life and are amortized over their useful economic life. Intangible assets are also assessed for impairment each reporting period. The amortization period and method of amortization are reassessed annually. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimates. The amortization expense is recorded as a charge against earnings. The Company's intangible assets comprise existing customer contracts, customer relationships, broker relationships and brand name in its leasing operations. With the exception of the brand name, these are amortized over a period of five to fifteen years.

(h) Foreign subsidiaries

The Company's foreign subsidiaries report in U.S. dollars and their assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at the period-end. Revenue and expenses are translated into Canadian dollars at the average monthly exchange rate then prevailing. Resulting translation gains and losses are credited or charged to other comprehensive income or loss and presented in the accumulated other comprehensive income or loss component of equity.

(i) Stock-based compensation

The Company accounts for stock options issued to directors and/or employees using fair value-based methods. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the stock options on the grant date. The fair value of the stock options is recorded in general and administrative expenses over the awards vesting period.

The Company's LTIP (note 13(f)) contemplates that grants thereunder may be settled in common shares and/or cash. Grants are determined as a percentage of the participants' short-term annual bonus, up to an annual LTIP pool maximum, and are then adjusted up or down based on the Company's adjusted return on average equity over the three-year vesting period of an award. The fair value of the LTIP awards, calculated at each reporting date, is recorded in general and administrative expenses over the awards' vesting period, with a corresponding liability established.

(j) Financial assets and liabilities

Financial assets and liabilities are recorded at amortized cost, with the exception of cash, derivative financial instruments, the LTIP liability, lease liabilities and the guarantee of managed receivables, which are all recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly manner between participants in an active (or in its absence, the most advantageous) market to which the Company has access at the transaction date. The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the transaction date on which the Company becomes a party to the contractual provisions. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be reliably estimated.

(k) Convertible debentures

Convertible debentures include both a debt and equity component due to the embedded financial derivative associated with the conversion option. The debt component of the debenture is initially recognized at fair value determined by discounting the future principal and interest payments at the rate of interest prevailing on the issue date for similar non-convertible debt instruments. The equity component of the convertible debenture is initially determined as the difference between the gross proceeds of the debenture issue and the debt component, net of any deferred tax liability that arises from the temporary difference between the carrying value of the debt and its tax basis. The equity component is included in contributed surplus within total equity. Directly attributable transaction costs related to the issuance of convertible debentures are allocated to the debt and equity components on a pro-rata basis, reducing their fair value at the time of initial recognition.

4. Finance receivables and loans and managed receivables

(a) Finance receivables and loans

	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Receivable loans	**$118,200,428**	$134,422,542	$121,642,781
Other loans*	**179,354,552**	135,306,707	124,706,290
Lease receivables	**87,029,647**	69,372,521	57,382,386
Finance receivables and loans, gross	**384,584,627**	339,101,770	303,731,457
Less allowance for losses	**3,676,000**	3,450,000	4,163,000
Finance receivables and loans, net	**$380,908,627**	$335,651,770	$299,568,457

** Other loans primarily comprise inventory and equipment loans*

Lease receivables comprise the net investment in leases by ASBF and CapX as described in note 3(d). Lease receivables at September 30, 2019 are expected to be collected over a period of up to five years. The Company's finance receivables and loans are generally collateralized by: (i) a first charge on substantially all of the borrowers' assets; or (ii) leased assets or factored receivables which the Company owns. Collateral securing the finance receivables and loans primarily comprises receivables, inventory and equipment, as well as, from time to time, other assets such as real estate and guarantees.

Interest income earned on finance receivables and loans during the quarter ended September 30, 2019 totalled $13,462,545 (2018 – $10,252,530), while interest income earned on finance receivables and loans during the nine months ended September 30, 2019 totalled $36,819,685 (2018 – $26,984,820).

Finance receivables and loans based on the contractual repayment dates thereof can be summarized as follows:

(in thousands)	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Less than 1 year	$ 249,798	$ 215,562	$ 179,679
1 to 2 years	66,953	60,313	72,546
2 to 3 years	42,795	39,619	31,341
3 to 4 years	21,792	17,648	12,549
4 to 5 years	3,243	5,853	7,540
Thereafter	4	107	76
	$ 384,585	$ 339,102	$ 303,731

The aged analysis of the Company's finance receivables and loans was as follows:

(in thousands)	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Current	$ 365,588	$ 333,031	$ 294,716
Past due but not impaired:			
Past due less than 90 days	4,832	1,983	4,628
Past due 90 to 180 days	2,166	3,263	706
Past due 180 days or more	3,071	765	3,262
Impaired loans	8,928	60	419
	$ 384,585	$ 339,102	$ 303,731

The past due finance receivables and loans, especially those past due over 90 days, do not necessarily represent a SICR or an impairment, which may be rebutted where payments are delayed for non-credit related reasons, such as specific industry related reasons or practices as we often see with BondIt Media Capital ("BondIt"), AFIU's 51% controlled media finance subsidiary, where media productions are often delayed resulting in payment delays. Of the past due finance receivables at September 30, 2019, $8,744,000 related to BondIt. Moreover, as the Company's finance receivables and loans are generally collateralized, past due or impaired accounts do not necessarily lead to a significant ECL allowance depending on the net realizable value of the collateral security which may result in a low or no LGD. At September 30, 2019, the estimated net realizable value of the collateral securing the impaired loans totalled $9,850,000.

The Company maintains internal credit risk ratings on its finance receivables and loans by client which it uses for credit risk management purposes.

The Company's internal credit risk ratings are defined as follows:

Low risk: finance receivables and loans that exceed the credit risk profile standard of the Company with a below average expected credit loss.

Medium risk: finance receivables and loans that are typical for the Company's risk appetite and credit standards, and retain an average expected credit loss.

High risk: finance receivables and loans within the Company's risk appetite and credit standards that have an additional element of credit risk that could result in an above average expected credit loss. These finance receivables and loans are expected to represent a small percentage of the Company's total finance receivables and loans.

Impaired: finance receivables and loans on which the Company has commenced enforcement proceedings available to it under its contractual agreements and/or where there is objective evidence that there has been a deterioration in credit quality to the extent that the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

The following table summarizes the Company's finance receivables and loans by their internal credit risk rating:

(in thousands)	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Low risk	$ 115,539	$ 122,212	$ 76,090
Medium risk	237,313	205,689	215,271
High risk	22,805	11,141	11,951
Impaired	8,928	60	419
	$ 384,585	$ 339,102	$ 303,731

Finance receivables and loans classified under the three stage credit criteria of IFRS 9 were as follows:

(in thousands)	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Stage 1	$ 372,565	$ 332,015	$ 295,609
Stage 2 (SICR)	3,092	7,027	7,703
Stage 3 (impaired)	8,928	60	419
	$ 384,585	$ 339,102	$ 303,731

Stage 1 finance receivables and loans comprise those accounts in good standing where there has been no SICR since initial recognition. Stage 2 finance receivables and loans comprise those accounts that have experienced a SICR since initial recognition. The Company refers to these finance receivables and loans as “watchlist” accounts, while Stage 3 finance receivables and loans comprise those accounts which are impaired. The Company refers to these as “workout” accounts.

The activity in the allowance for losses on finance receivables and loans account during the first nine months of 2019 and 2018 was as follows:

	2019	2018
Allowance for losses at Jan. 1	$ 3,450,000	$ 1,996,966
Specific charge-offs reclassified to allowance for losses	—	35,000
Provision for loan losses	944,956	2,258,484
Charge-offs	(1,070,942)	(197,681)
Recoveries	415,563	52,292
Foreign exchange adjustment	(63,577)	17,939
Allowance for losses at Sept. 30	$ 3,676,000	$ 4,163,000

The activity in the allowance for losses on finance receivables and loans during the nine months ended September 30, 2019 by stage of allowance was as follows:

	Stage 1	Stage 2	Total
Allowance for losses at Jan. 1, 2019	$ 2,669,024	$ 780,976	$ 3,450,000
Transfer from Stage 1 to Stage 2	(5,514)	5,514	—
Reserves expense (recovery)* related to change in allowance for losses	489,302	(199,725)	289,577
Foreign exchange adjustment	(44,694)	(18,883)	(63,577)
Allowance for losses at Sept. 30, 2019	$ 3,108,118	$ 567,882	$ 3,676,000

**a component of the provision for losses*

There was no Stage 3 allowance for losses at September 30, 2019 as impaired finance receivables and loans are written down to the present value of their estimated net recoverable amounts.

The nature of the Company's business involves funding or assuming the credit risk on receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. These transactions are conducted on terms that are usual and customary to the Company's asset-based lending activities. The Company controls the credit risk associated with its finance receivables and loans, and managed receivables, as discussed below, in a variety of ways. For details of the Company's policies and procedures in this regard please refer to note 21(a).

At September 30, 2019, the Company held cash collateral of $2,736,397 (2018 – $1,744,869) to help reduce the risk of loss on certain of the Company's finance receivables and loans.

(b) Managed receivables

The Company has entered into agreements with clients, whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At September 30, 2019, the gross amount of these managed receivables was $49,405,364 (December 31, 2018 – $40,145,156, September 30, 2018 – $59,888,360). Fees from the Company’s receivables management and credit protection business during the three and nine months ended September 30, 2019 totalled $746,323 (2018 – $818,771) and $1,770,712 (2018 – $2,075,646), respectively. These amounts are included in other income.

The aged analysis of the Company’s managed receivables was as follows:

(in thousands)	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Current	$ 36,809	$ 23,561	$ 43,408
Past due but not impaired:			
Past due less than 90 days	12,160	16,143	15,711
Past due more than 90 days	436	441	769
	$ 49,405	$ 40,145	$ 59,888

There were no impaired managed receivables at the above dates.

Managed receivables classified under the three stage credit criteria of IFRS 9 were as follows:

(in thousands)	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Stage 1	$ 48,912	$ 39,678	$ 58,595
Stage 2 (SICR)	493	467	1,293
Stage 3 (impaired)	—	—	—
	$ 49,405	$ 40,145	$ 59,888

Stage 1 managed receivables comprise those accounts in good standing where there has been no SICR since initial recognition. Stage 2 managed receivables comprise those accounts that have experienced a SICR since initial recognition. The Company refers to these managed receivables as its "watchlist" accounts. There were no Stage 3 (impaired) managed receivables at the above dates as any outstanding client claims for payment under the Company's guarantees are an actual liability that is accrued for and included in accounts payable and other liabilities.

Management provides an allowance for losses on the guarantee of these managed receivables, which represents the estimated fair value of the guarantees at that date. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included in the consolidated statements of financial position.

The activity in the allowance for losses on the guarantee of managed receivables account during the nine months ended September 30, 2019 and 2018 was as follows:

	2019	2018
Allowance for losses at Jan. 1	$ 74,000	$ 140,000
Provision for credit losses	66,109	600,705
Charge-offs	(77,444)	(631,153)
Recoveries	13,335	448
Allowance for losses at Sept. 30	$ 76,000	$ 110,000

The activity in the allowance for losses on the guarantee of managed receivables during the nine months ended September 30, 2019 by stage of allowance was follows:

	Stage 1	Stage 2	Total
Allowance for losses at Jan. 1, 2019	$ 31,943	$ 42,057	$ 74,000
Reserves expense (recovery)* related to change in allowance for losses	11,862	(9,862)	2,000
Allowance for losses at Sept. 30, 2019	$ 43,805	$ 32,195	$ 76,000

* *a component of the provision for losses*

There were no transfers between the two stages of the allowance for losses on the guarantee of managed receivables during the first nine months of 2019.

5. Right-of-use assets (office leases)

Upon adoption of IFRS 16 on January 1, 2019, the Company recognized right-of-use assets in respect of four of its office leases each of which had a remaining lease term of over one year at that date. The Company's right-of-use assets and movements therein during the nine months ended September 30, 2019 were as follows:

(in thousands)	Office leases
Right-of-use assets recognized on Jan. 1, 2019	$ 2,027
Depreciation expense	(328)
Foreign exchange adjustment	(31)
Right-of-use assets at Sept. 30, 2019	$ 1,668

6. Goodwill

	2019	2018
Goodwill at Jan. 1	$ 14,031,320	$ 13,081,651
Foreign exchange adjustment	(352,786)	300,223
Goodwill at Sept. 30	$ 13,678,534	$ 13,381,874

At September 30, 2019 and 2018, goodwill of US$8,908,713 was carried in AFIU, the Company's U.S. subsidiary. A foreign exchange adjustment is recognized each period-end when this balance is translated into Canadian dollars at a different prevailing period-end exchange rate.

Goodwill was allocated to the following cash generating units ("CGUs") at September 30, 2019 and 2018:

	2019	2018
U.S. operations	$ 11,796,027	$ 11,499,367
Canadian operations	1,882,507	1,882,507
	$ 13,678,534	$ 13,381,874

Goodwill is tested for impairment annually. During 2018, the Company conducted annual impairment reviews on each CGU and determined that there was no impairment to the carrying value of goodwill.

7. Intangible assets

Intangible assets and movements therein during the first nine months of 2019 and 2018 were as follows:

2019	Existing customer contracts	Customer and referral relationships	Broker relationships	Brand name	Total
Cost:					
January 1, 2019	$ 1,179,097	$ 2,076,915	$ 1,343,938	$ 1,857,359	$ 6,457,309
Foreign exchange adjustment	—	(60,311)	—	(53,935)	(114,246)
September 30, 2019	$ 1,179,097	$ 2,016,604	$ 1,343,938	$ 1,803,424	$ 6,343,063
Accumulated amortization:					
January 1, 2019	$ (1,179,097)	$ (158,658)	$ (1,003,668)	$ —	$ (2,341,423)
Amortization expense	—	(101,377)	(124,769)	—	(226,146)
Foreign exchange adjustment	—	4,989	—	—	4,989
September 30, 2019	$ (1,179,097)	$ (255,046)	$ (1,128,437)	$ —	$ (2,562,580)
Book value:					
January 1, 2019	$ —	$ 1,918,257	$ 340,270	$ 1,857,359	$ 4,115,886
September 30, 2019	$ —	$ 1,761,558	$ 215,501	$ 1,803,424	$ 3,780,483

2018	Existing customer contracts	Customer and referral relationships	Broker relationships	Brand name	Total
Cost:					
January 1, 2018	$ 1,179,097	$ 1,914,563	$ 1,343,938	$ 1,712,171	$ 6,149,769
Foreign exchange adjustment	—	51,325	—	45,899	97,224
September 30, 2018	$ 1,179,097	$ 1,965,888	$ 1,343,938	$ 1,758,070	$ 6,246,993
Accumulated amortization:					
January 1, 2018	$ (1,104,817)	$ (18,409)	$ (799,532)	$ —	$ (1,922,758)
Amortization expense	(55,713)	(98,216)	(153,102)	—	(307,031)
Foreign exchange adjustment	—	(733)	—	—	(733)
September 30, 2018	$ (1,160,530)	$ (117,358)	$ (952,634)	$ —	$ (2,230,522)
Book value:					
January 1, 2018	$ 74,280	$ 1,896,154	$ 544,406	$ 1,712,171	$ 4,227,011
September 30, 2018	$ 18,567	$ 1,848,530	$ 391,304	$ 1,758,070	$ 4,016,471

8. Bank Indebtedness

During the third quarter the Company's banking syndicate approved a $75 million increase in its line of credit increasing the limit thereon to approximately $367 million. The line of credit, established with a syndicate of six banks, bears interest varying with the bank prime rate or Libor. The line of credit was entered into for a three-year term on July 26, 2018 and superceded earlier lines of credit. The line is collateralized primarily by the Company's finance receivables and loans. At September 30, 2019, the amount outstanding under the line of credit totalled $241,668,297 (December 31, 2018 – $222,861,724, September 30, 2018 – $195,290,263). The Company was in compliance with all loan covenants under its bank line(s) of credit during the first nine months of 2019 and 2018.

9. Loan payable

A revolving line of credit totalling $13,241,000 (US$10,000,000) was established by BondIt in April 2018 with a non-bank lender, bearing interest varying with the U.S. base rate. This line of credit matures in October 2019 and is collateralized by all of BondIt's assets. At September 30, 2019, the amount outstanding under this line of credit totalled $9,495,272 (December 31, 2018 – $5,695,568, September 30, 2018 – $5,333,117). Under this revolving credit facility, BondIt failed a specific covenant test at September 30, 2019 which the lender subsequently waived.

10. Notes payable

Notes payable comprise unsecured short-term notes (due in less than one year), as well as long-term notes (due after one year) which were entered into for a three-year term on August 1, 2018 and which mature on July 31, 2021. The short-term notes comprise: (i) notes due on, or within a week of, demand ($3,616,970); and (ii) numerous BondIt notes ($2,979,225) which are repayable on various dates the latest of which is December 31, 2019. Notes payable are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties.

Notes payable were as follows:

	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Short-term notes:			
Related parties	$ 3,803,211	$ 3,377,550	$ 7,521,559
Third parties	2,792,984	2,487,669	2,398,864
	6,596,195	5,865,219	9,920,423
Long-term notes:			
Related parties	12,174,100	12,213,700	12,140,800
	$ 18,770,295	$ 18,078,919	$ 22,061,223

Notes due on, or within a week of, demand bear interest at rates that vary with bank prime rate or Libor, while the BondIt notes bear interest at rates between 7% and 12%. The long-term notes carry a fixed interest rate of 7% with interest payable each calendar quarter-end.

Interest expense on the notes payable for the three and nine months ended September 30, 2019 and 2018 was as follows:

	Three months		Nine months	
	2019	2018	2019	2018
Related parties	$ 278,581	$ 271,128	$ 813,025	$ 566,974
Third parties	51,454	37,795	148,698	88,259
	$ 330,035	$ 308,923	$ 961,723	$ 655,233

11. Convertible debentures

In December 2018, the Company issued 18,400 convertible unsecured debentures with a face value of $1,000 each for proceeds of $18,400,000. These debentures carry a coupon rate of 7.0% and are listed for trading on the Toronto Stock Exchange ("TSX"). On January 17, 2019, the underwriters of the debenture issue exercised their overallotment option and a further 1,090 convertible debentures were issued for proceeds of $1,090,000, bringing the total proceeds of the offering to $19,490,000. On July 23, 2019, the Company issued a further 1,160 convertible debentures with a face value of $1,160,000 by way of private placement, bringing the total face value of the TSX listed debentures issued to $20,650,000, which is the maximum issuable under the debentures trust indenture. The debentures issued on July 23, 2019 were issued at a $23,200 discount to face value and overall gross proceeds of these TSX listed debentures was $20,626,800.

On September 13, 2019, the Company issued a further 5,000 convertible unsecured debentures with a face value of $1,000 each for proceeds of $5,000,000 under a supplementary trust indenture. These debentures have similar terms to those listed on the TSX but are themselves not listed.

Interest on all the convertible debentures is payable semi-annually on June 30 and December 31 each year. The debentures mature on December 31, 2023 and are convertible at the option of the holder into common shares of the Company at a conversion price of $13.50 per common share.

The debentures are not redeemable by the Company prior to December 31, 2021 except in limited circumstances following a change of control. On or after December 31, 2021 and at any time prior to December 31, 2022, these debentures may be redeemed at the option of the Company at a redemption price equal to 100% of their principal amount plus any accrued and unpaid interest thereon provided that the market price is at least 125% of the conversion price. On or after December 31, 2022 and prior to the maturity date, these debentures may be redeemed in whole or in part at the option of the Company at a redemption price equal to 100% of their principal amount plus any accrued and unpaid interest.

The Company used the residual method to calculate the allocation between the debt component of the debentures and the equity component. The gross proceeds were first allocated towards the debt component of the debentures by discounting the future principal and interest payments at the rate of interest prevailing on the issue date for similar non-convertible debentures. The equity component is then determined to be the difference between the gross proceeds and the debt component. Transaction costs were then allocated to the debt and equity components on a pro-rata basis. The equity component is carried net of deferred taxes and is included in contributed surplus.

The allocation of the gross proceeds from the convertible debentures issuance and the balances outstanding on the debt and equity components at September 30, 2019 were as follows:

TSX listed debentures	Liability component of debentures	Equity component of debentures	Total
Debentures issued	$19,418,515	$ 1,208,285	$20,626,800
Transaction costs	(1,443,022)	(89,790)	(1,532,812)
Net proceeds	17,975,493	1,118,495	19,093,988
Deferred taxes	—	(296,401)	(296,401)
Accretion in carrying value of debenture liability	735,053	—	735,053
	$18,710,546	$ 822,094	$19,532,640
Unlisted debentures			
Debentures issued	$ 4,734,382	$ 265,618	$ 5,000,000
Transaction costs	(296,302)	(16,624)	(312,926)
Net proceeds	4,438,080	248,994	4,687,074
Deferred taxes	—	(65,983)	(65,983)
Accretion in carrying value of debenture liability	22,853	—	22,853
	$ 4,460,933	$ 183,011	$ 4,643,944
Balance at Sept. 30, 2019	$23,171,479	$ 1,005,105	$24,176,584

At September 30, 2019, all debentures remained outstanding.

12. Lease liabilities

The following table presents the contractual undiscounted cash flows for office lease obligations as of September 30, 2019:

(in thousands)	
Less than one year	$ 498
One to five years	1,297
Thereafter	230
Total undiscounted lease obligations	2,025
Less: short-term lease commitments elected for exemption under IFRS 16	(33)
Future interest	(267)
Lease liabilities at September 30, 2019	$ 1,725

For the three months ended September 30, 2019, principal and interest payments for the four leases recognized under IFRS 16 totalled $94,901 and $27,537, respectively, for total lease payments of $122,438. For the nine months ended September 30, 2019, principal and interest payments for the four leases recognized under IFRS 16 totalled $280,347 and $86,914, respectively, for total lease payments of $367,261. No variable lease payments are included in the measurement of the Company's lease liabilities. See note 3(a) for details of the Company's accounting policy for lease liabilities.

13. Capital stock, contributed surplus, dividends, stock option plans, senior executive long-term incentive plan, and stock-based compensation

(a) Authorized capital stock

The authorized capital stock of the Company consists of an unlimited number of first preferred shares, issuable in series, and an unlimited number of common shares with no par value. The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board. At September 30, 2019 and 2018 and December 31, 2018, there were no first preferred shares outstanding.

(b) Issued and outstanding

The Company's issued and outstanding common shares during the first nine months of 2019 and 2018 are set out in the consolidated statements of changes in equity.

(c) Contributed surplus

The Company's contributed surplus and movements therein during the first nine months of 2019 and 2018 are set out in the consolidated statements of changes in equity.

(d) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During the three and nine months ended September 30, 2019, dividends totalling $760,120 (2018 – $747,694) and $2,278,810 (2018 – $2,243,257) or $0.09 (2018 – $0.09) and $0.27 (2018 – $0.27), respectively, per common share were declared and paid.

On October 30, 2019, the Company declared a quarterly dividend of $0.09 per common share, payable December 2, 2019 to shareholders of record at the close of business on November 15, 2019.

(e) Stock option plans

The Company has established an employee stock option plan. Under the terms of the plan, an aggregate of 1,000,000 common shares has been reserved for issue upon the exercise of options granted to key managerial employees of the Company and its subsidiaries. According to the terms of the plan, these options vest over a period of three years provided certain minimum earnings criteria are met. Although the Company may still grant stock options to employees, it has not done so since 2004.

The Company has also established a non-executive directors' stock option plan ("NEDSOP"). Under the terms of the plan, an aggregate of 500,000 common shares has been reserved for issue upon the exercise of options granted to non-executive directors of the Company. Fifty percent of these options vest after one year and fifty percent after two years. The options have to be exercised within five years of the grant date at which time they expire.

Options are granted to purchase common shares at prices not less than the market price of such shares on the grant date.

Outstanding options granted under the NEDSOP at September 30, 2019 and 2018 and December 31, 2018 were as follows:

Exercise price	Grant Date	Number of options
$9.56	October 28, 2015	80,000
$9.28	July 27, 2016	80,000
Outstanding, earned and exercisable		160,000

The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions on the grant date:

	July 27, 2016 grant	Oct. 28, 2015 grant
Risk free interest rate	0.65%	0.82%
Expected dividend yield	3.88%	3.77%
Expected share price volatility	23.78%	23.50%
Expected life of option	5.0 years	5.0 years
Fair value per option	$1.35	$1.40

(f) Senior executive long-term incentive plan

Under the LTIP, which was introduced in 2015, grants may be made annually to the Company's senior executive management group and are measured and assessed over a three-year performance period. Grants are determined as a percentage of the participants' short-term annual bonus subject to an annual LTIP pool maximum of 5% of adjusted consolidated net earnings. Vesting of the LTIP is subject to achievement over a three-year period of a cumulative adjusted return on average equity and may be adjusted up or down subject to achievement of certain minimum and maximum return thresholds. The Compensation Committee of the Board has the discretion to determine whether payments are settled through the issuance of shares and/or paid in cash.

(g) Stock-based compensation

During the three months ended September 30, 2019, the Company recorded a stock-based compensation expense of $64,000 (2018 – $46,439), all of which was in respect of LTIP awards (2018 – $43,636). During the three months ended September 30, 2018 there was also a $2,803 charge in respect of the Company's NEDSOP grants. For the nine months ended September 30, 2019, the Company recorded a stock-based compensation expense of $178,000 (2018 – $224,989), all of which was in respect of LTIP awards (2018 – $205,344). During the nine months ended September 30, 2018 there was also a $19,645 charge in respect of the Company's NEDSOP grants.

14. Earnings per common share and weighted average number of common shares outstanding

Basic earnings per share have been calculated based on the weighted average number of common shares outstanding in the year without the inclusion of dilutive effects. Diluted earnings per share are calculated based on the weighted average number of common shares plus dilutive common share equivalents outstanding in the year, which in the Company's case consist of stock options and convertible debentures.

The following is a reconciliation of common shares used in the calculation for the three and nine months ended September 30:

Three months	2019	2018
Basic weighted average number of common shares outstanding	8,445,783	8,309,642
Effect of dilutive stock options	—	2,181
Diluted weighted average number of common shares outstanding	8,445,783	8,311,823

Nine months	2019	2018
Basic weighted average number of common shares outstanding	8,438,120	8,308,570
Effect of dilutive stock options	4,339	727
Diluted weighted average number of common shares outstanding	8,442,459	8,309,297

All outstanding stock options were excluded from the calculation of the diluted weighted number of shares outstanding for the three months ended September 30, 2019, while certain outstanding options were excluded for the three months ended September 30, 2018 and the nine months ended September 30, 2018 and 2019 because they were considered to be anti-dilutive for earnings per common share purposes. Details of stock options outstanding are set out in note 13(e).

All convertible debentures were similarly excluded from the calculation for the three and nine months ended September 30, 2019.

15. Contingent liabilities

(a) In the normal course of business there is outstanding litigation, the results of which are not expected to have a material effect upon the Company. Pending litigation, or other contingent matters represent potential financial loss to the Company. The Company accrues a potential loss if the Company believes the loss is probable and it can be reasonably estimated. The decision is based on information that is available at the time. The Company estimates the amount of the loss by consulting with the outside legal counsel that is handling the defense. This involves analyzing potential outcomes and assuming various litigation and settlement strategies. At September 30, 2019 and 2018, the Company was not aware of any litigation the aggregate liability from which would materially affect the financial position of the Company, and thus had not accrued a loss.

(b) At September 30, 2019, the Company was liable for with respect to letters of credit issued on behalf of clients in the amount of $225,097 (December 31, 2018 – $508,170; September 30, 2018 – $486,818). In addition, at September 30, 2019, the Company was contingently liable with respect to letters of guarantee issued on behalf of its clients in the amount of $1,046,039 (December 31, 2018 – $13,637; September 30, 2018 – $12,908). These amounts were considered in determining the allowance for losses on finance receivables and loans.

16. Derivative financial instruments

At September 30, 2019, the Company had entered into forward foreign exchange contracts with a financial institution which must be exercised by the Company between December 31, 2019 and January 31, 2020 and which oblige the Company to sell Canadian dollars and buy US$340,000 at exchange rates ranging from 1.32674 to 1.34993. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company will buy Canadian dollars from and sell US$340,000 to the client. At December 31, 2018 and September 30, 2018, the Company had no outstanding forward foreign exchange contracts.

The favorable and unfavorable fair values of these contracts were recorded on the Company's consolidated statements of financial position in other assets and accounts payable and other liabilities, respectively. The fair value of the contracts were classified as Level 2 under IFRS 7. During the nine months ended September 30, 2019, there was no movement between the three-level fair value hierarchy described in note 3(q) to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2018.

17. Accumulated other comprehensive income

Accumulated other comprehensive income ("AOCI") solely comprises the unrealized foreign exchange gain (commonly referred to as cumulative translation adjustment) arising on translation of the assets and liabilities of the Company's foreign subsidiaries which report in U.S. dollars. Changes in the AOCI balance during the nine months ended September 30, 2019 and 2018 are set out in the consolidated statements of changes in equity.

18. Non-controlling interests in subsidiaries

Non-controlling interests in subsidiaries at September 30, 2019 and 2018 and December 31, 2018 comprise an effective 49% interest in BondIt's common member units and a 10% interest in CapX common units. Please see the consolidated statements of changes in equity for movements in non-controlling interests during the first nine months of 2019 and 2018.

19. Segmented information

The Company operates and manages its businesses in one dominant industry segment – providing asset-based financial services to industrial and commercial enterprises, principally in Canada and the United States. There were no significant changes to capital assets and goodwill during the periods under review.

Three months ended September 30	**2019**				2018			
(in thousands)	**Canada**	**United States**	**Inter-company**	**Total**	Canada	United States	Inter-company	Total
Identifiable assets	**$ 181,460**	**$ 249,126**	**$ (20,658)**	**$ 409,928**	$ 158,936	$ 172,096	$ (5,701)	$ 325,331
Revenue								
Interest income	**$ 5,485**	**$ 8,414**	**$ (437)**	**$ 13,462**	$ 5,276	$ 5,028	$ (51)	$ 10,253
Other income	**1,027**	**810**	**—**	**1,837**	1,078	1,789	—	2,867
	6,512	**9,224**	**(437)**	**15,299**	6,354	6,817	(51)	13,120
Expenses								
Interest	**3,883**	**939**	**(437)**	**4,385**	2,346	360	(51)	2,655
General and administrative	**2,672**	**3,830**	**—**	**6,502**	2,655	3,155	—	5,810
Provision for credit and loan losses	**165**	**554**	**—**	**719**	313	921	—	1,234
Depreciation	**85**	**99**	**—**	**184**	38	24	—	62
Business acquisition expenses	**40**	**(594)**	**—**	**(554)**	69	185	—	254
	6,845	**4,828**	**(437)**	**11,236**	5,421	4,645	(51)	10,015
Earnings (loss) before income taxes	**(333)**	**4,396**	**—**	**4,063**	933	2,172	—	3,105
Income tax expense	**9**	**1,070**	**—**	**1,079**	258	16	—	274
Net earnings (loss)	**(342)**	**3,326**	**—**	**2,984**	675	2,156	—	2,831
Net (loss) earnings attributable to non-controlling interest in subsidiaries	**—**	**(253)**	**—**	**(253)**	—	215	—	215
Net earnings (loss) attributable to shareholders	**$ (342)**	**$ 3,579**	**$ —**	**$ 3,237**	$ 675	$ 1,941	$ —	$ 2,616

Nine months ended September 30	2019				2018			
(in thousands)	Canada	United States	Inter-company	Total	Canada	United States	Inter-company	Total
Identifiable assets	$ 181,460	$ 249,126	$ (20,658)	$ 409,928	$ 158,936	$ 172,096	$ (5,701)	$ 325,331
Revenue								
Interest income	$ 15,710	$ 21,920	$ (811)	$ 36,819	$ 13,449	$ 13,631	$ (95)	$ 26,985
Other income	2,975	2,084	—	5,059	3,320	3,671	—	6,991
	18,685	24,004	(811)	41,878	16,769	17,302	(95)	33,976
Expenses								
Interest	11,345	2,163	(811)	12,697	5,561	646	(95)	6,112
General and administrative	8,049	10,875	—	18,924	8,128	8,803	—	16,931
Provision for credit and loan losses	182	829	—	1,011	1,111	1,748	—	2,859
Impairment of assets held for sale	—	—	—	—	25	—	—	25
Depreciation	249	294	—	543	101	59	—	160
Business acquisition expenses	125	(333)	—	(208)	209	576	—	785
	19,950	13,828	(811)	32,967	15,135	11,832	(95)	26,872
Earnings (loss) before income taxes	(1,265)	10,176	—	8,911	1,634	5,470	—	7,104
Income tax expense (recovery)	(114)	2,381	—	2,267	473	(266)	—	207
Net earnings (loss)	(1,151)	7,795	—	6,644	1,161	5,736	—	6,897
Net (loss) earnings attributable to non-controlling interest in subsidiaries	—	(458)	—	(458)	—	702	—	702
Net earnings (loss) attributable to shareholders	$ (1,151)	$ 8,253	$ —	$ 7,102	$ 1,161	$ 5,034	$ —	$ 6,195

20. Fair values of financial assets and liabilities

Any financial assets or liabilities recorded at cost are short term in nature and, therefore, their carrying values approximate fair values. Under the fair value hierarchy, finance receivables and loans would be classified as Level 3.

21. Financial risk management

The Company is exposed to credit, liquidity and market risks related to the use of financial instruments in its operations. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework through its Audit Committee. In this respect, the Audit Committee meets with management and the Company's Risk Management Committee at least quarterly. The Company's risk management policies are established to identify, analyze, limit, control and monitor the risks faced by the Company. Risk management policies and systems are reviewed regularly to reflect changes in the risk environment faced by the Company.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. In the Company's case, credit risk arises with respect to its loans to and other financial transactions with clients, its guarantee of managed receivables, and any other financial transaction with a counterparty that the Company deals with. The carrying amount of these loans ($385 million) and managed receivables ($49 million) represents the Company's maximum credit exposure and is the most significant measurable risk that it faces. The nature of the Company's asset-based lending business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. The Company will usually: (i) own the factored receivables or leased assets that it finances; or (ii) take collateral security over the other assets that it lends against. The Company also makes unsecured small business loans; these totalled $1,464,428 at September 30, 2019. It does not take title to the managed receivables as it does not lend against them, but it assumes the credit risk from the client in respect of these receivables.

In its asset-based lending business, the Company makes loans that are, in most cases, secured against various forms of collateral. The collateral is generally first ranking security on the client's assets which typically comprise receivables, inventory, equipment and real estate. The Company provides a loss allowance on all of its finance receivables and loans based on the assessed credit risk. There were no significant changes in the quality of collateral or changes to the Company's collateral policy during the three and nine months ended September 30, 2019 and 2018.

At September 30, 2019, the Company had impaired loans of $8,928,000 (December 31, 2018 – $60,000, September 30, 2018 – $419,000), while, at that date, it held collateral for these loans with an estimated net realizable value of $9,850,000 (December 31, 2018 – $314,000, September 30, 2018 – $694,000). These impaired loans, which have been written down to net realizable value where necessary, were mainly secured by receivables, inventory and/or equipment.

In its asset-based lending businesses, AFIC and AFIU, media financing business (BondIt), Canadian equipment finance business (ASBF), and credit protection and receivables management operations, credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1.0 million ($500,000 for BondIt), the Company's Chairman and Vice Chairman of its Board. Credit in excess of $2.5 million is approved by the Company's Credit Committee, which comprises three independent members of its Board. In the Company's U.S. equipment finance business (CapX), credit is approved by its Investment Committee, with amounts in excess of US$2,500,000 also being approved by the Company's Chairman and Vice Chairman. CapX credit in excess of US$4,000,000 is also approved by the Company's Credit Committee. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

In its asset-based lending operations, a primary focus continues to be on the credit-worthiness and collectability of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from the invoice date. The Company's lease receivables and equipment and working capital loans are typically term loans with payments usually spread out evenly over the term of the lease or loan, which can be up to 60 months. Of the total managed receivables that the Company guarantees payment, 1.3% were past due more than 60 days at September 30, 2019 (2018 – 2.1%). In the Company's asset-based lending business, trade receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from the invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

The Company employs an internal client credit risk rating system to assess the credit risk in its asset-based lending and leasing businesses, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, while in its credit protection and receivables management business, it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Please see note 4 which presents the Company's finance receivables and loans and managed receivables by their internal credit risk rating (low risk, medium risk, high risk) and by the three stage credit criteria of IFRS 9, as well as an aged analysis thereof. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. Collateral is monitored and managed on an ongoing basis to mitigate credit risk. In its asset-based lending operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis.

The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it finances. In its asset-based lending operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. Regular field examinations are conducted to verify collateral such as inventory and equipment. In the Company's Canadian leasing operations, security deposits are also obtained as additional collateral for its equipment leases or loans.

In the Company's credit protection and receivables management business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. All customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. At September 30, 2019, the Company had guaranteed accounts receivable in excess of $5 million for two customer.

The Company's credit exposure relating to its finance receivables and loans by industrial sector was as follows:

	September 30, 2019		September 30, 2018	
Industrial Sector (in thousands)	Gross finance receivables and loans	% of total	Gross finance receivables and loans	% of total
Manufacturing	$ 80,689	21	$ 63,676	21
Financial services	67,668	18	59,317	20
Professional services	52,761	14	36,430	12
Wholesale and distribution	51,968	13	40,508	13
Retail	38,448	10	27,542	9
Transportation	23,977	6	17,874	6
Media	22,813	6	14,016	5
Construction	16,483	4	22,130	7
Other	29,778	8	22,238	7
	$ 384,585	100	$ 303,731	100

The Company's credit exposure relating to its managed receivables by industrial sector was as follows:

	September 30, 2019		September 30, 2018	
Industrial Sector (in thousands)	Managed receivables	% of total	Managed receivables	% of total
Retail	$ 45,401	92	$ 45,584	76
Engineering	3,245	6	7,686	13
Wholesale and distribution	759	2	6,618	11
	$ 49,405	100	$ 59,888	100

As set out in notes 3(e) and 4, the Company maintains an allowance for credit and loan losses on its finance receivables and loans and its guarantee of managed receivables in accordance with IFRS 9. The Company maintains a separate allowance for losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations, including current economic trends, condition of the loan and receivable portfolios and typical industry loss experience.

(b) Liquidity risk

The Company's financial assets and liabilities at September 30, 2019 by maturity date were as follows:

(in thousands)	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash	$ 4,717	$ —	$ —	$ —	$ —	$ —	$ 4,717
Finance receivables and loans	219,019	41,161	52,160	58,098	14,143	4	384,585
All other financial assets	3,182	—	—	—	—	—	3,182
	$ 226,918	$ 41,161	$ 52,160	$ 58,098	$ 14,143	$ 4	$ 392,484
Financial liabilities							
Due to clients	$ 2,774	$ —	$ —	$ —	$ —	$ —	$ 2,774
Bank indebtedness	241,668	—	—	—	—	—	241,668
Loan payable	9,495	—	—	—	—	—	9,495
Notes payable	6,596	—	12,174	—	—	—	18,770
Convertible debentures	—	—	—	—	23,171	—	23,171
All other financial liabilities	7,671	1,680	—	—	—	—	9,351
	$ 268,204	$ 1,680	$ 12,174	$ —	$ 23,171	$ —	$ 305,229

The Company's financial assets and liabilities at September 30, 2018 by maturity date were as follows:

(in thousands)	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash	$ 5,045	$ —	$ —	$ —	$ —	$ —	$ 5,045
Finance receivables and loans	186,784	44,978	24,191	25,058	22,714	6	303,731
All other financial assets	1,628	—	—	—	—	—	1,628
	$ 193,457	$ 44,978	$ 24,191	$ 25,058	$ 22,714	$ 6	$ 310,404
Financial liabilities							
Due to clients	$ 3,224	$ —	$ —	$ —	$ —	$ —	$ 3,224
Bank indebtedness	195,290	—	—	—	—	—	195,290
Loan payable	5,333	—	—	—	—	—	5,333
Notes payable	9,921	—	12,140	—	—	—	22,061
All other financial liabilities	7,479	2,295	1,721	—	—	—	11,495
	$ 221,247	$ 2,295	$ 13,861	$ —	$ —	$ —	$ 237,403

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, loan payable, notes payable, convertible debentures, due to clients, and accounts payable and other liabilities. Revolving credit lines totalling approximately $380,000,000 have been established with a syndicate of banks, as well as a non-bank lender, bearing interest varying with the bank prime rate or Libor. At September 30, 2019, the Company had borrowed $251,163,569 (December 31, 2018 – $228,557,292; September 30, 2018 – $200,623,380) against these facilities. These lines of credit are collateralized primarily by finance receivables and loans to clients. The Company was in compliance with all loan covenants under its bank lines of credit during the nine months ended September 30, 2019 and 2018, although BondIt failed a covenant test with its non-bank lender at September 30, 2019, which was subsequently waived. See note 9. Notes payable of $3,616,970 are due on, or within a week of demand, while BondIt notes totalling $2,979,225 are repayable at various dates the latest of which is December 31, 2019. Long-term notes payable of $12,174,100 entered into on August 1, 2018 mature on July 31, 2021 (see note 10). Notes payable are to individuals or entities and consist of advances from shareholders, directors, management, employees, other related individuals and third parties. At September 30, 2019, 85% (2018 – 89%) of these notes were due to related parties and 15% (2018 – 11%) to third parties. The Company's convertible debenture liability was $23,171,000 at September 30, 2019. These debentures mature on December 31, 2023. Due to clients, principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a week of receipt. Accounts payable and other liabilities comprise a number of different obligations, the majority of which are payable within six months.

At September 30, 2019, the Company had gross finance receivables and loans totalling $384,584,627 (December 31, 2018 – $339,101,770; September 30, 2018 – $303,731,457) which substantially exceeded its total liabilities of $311,861,572 at that date (December 31, 2018 – $278,598,434; September 30, 2018 – $239,240,878). The Company's receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its financial instruments. The objective of managing market risk is to control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Currency risk

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally finance receivables and loans, cash, bank indebtedness, due to clients and notes payable. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At September 30, 2019, the Company's unhedged foreign currency positions in its Canadian operations totalled $434,000 (December 31, 2018 – $49,000; September 30, 2018 – $368,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a 1% change in the value of the Company's foreign currency holdings against the Canadian dollar would not have a material impact on the Company's net earnings.

(ii) Interest rate risk

Interest rate risk pertains to the risk of loss due to the volatility of interest rates. The Company's lending and borrowing rates are usually based on bank prime rates of interest or Libor and are typically variable. The Company actively manages its interest rate exposure, where possible.

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to a large degree. However, as the Company's floating rate finance receivables and loans exceed its floating and short-term fixed rate (usually 30 days) borrowings, the Company is exposed to interest rate risk as a result of the difference, or gap, that exists between interest sensitive assets and liabilities. This gap largely exists because of, and fluctuates with, the quantum of the Company's equity. This gap has been declining recently, as a result of the Company's equipment finance businesses, where ASBF and CapX lease receivables and equipment term loans to clients are usually at fixed effective interest rates for terms of up to five years, while related bank borrowings are currently at floating rates. The Company also recently entered into long-term notes payable and issued convertible debentures, which mature on July 31, 2021 and December 31, 2023 (see note 10 and note 11), respectively, which borrowings are at fixed interest rates for the term thereof. The Company expects that it will deploy interest rate hedges in the near future where certain bank borrowings or other debt is matched up with lease receivables and term loan maturities in our equipment finance businesses.

The following table shows the interest rate sensitivity gap at September 30, 2019:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	4 to 5 years	Non-rate sensitive	Total
Assets:						
Cash	$ 1,753	$ —	$ —	$ —	$ 2,964	$ 4,717
Finance receivables and loans, net	245,581	26,472	96,173	15,569	(2,886)	380,909
All other assets	—	861	—	—	23,441	24,302
	247,334	27,333	96,173	15,569	23,519	409,928
Liabilities:						
Due to clients	—	—	—	—	2,774	2,774
Bank indebtedness	12,401	230,346	—	—	(1,079)	241,668
Loan payable	9,495	—	—	—	—	9,495
Notes payable	3,617	2,979	12,174	—	—	18,770
Convertible debentures	—	—	—	23,171	—	23,171
All other liabilities	—	2,528	—	—	13,455	15,983
Equity	—	—	—	—	98,067	98,067
	25,513	235,853	12,174	23,171	113,217	409,928
	$ 221,821	$(208,520)	$ 83,999	$ (7,602)	$ (89,698)	$ —

Based on the Company's interest rate positions as at September 30, 2019, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $130,000 over a one year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

22. Capital disclosure

The Company considers its capital structure to include equity and debt; namely, its bank indebtedness, loan payable, notes payable and convertible debentures. The Company's objectives when managing capital are to: (a) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (b) maintain a capital structure that allows the Company to finance its growth using internally-generated cash flow and debt capacity; and (c) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares or debt, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to total equity and its total equity to total assets. At September 30, 2019, as a percentage, these ratios were 299% (December 31, 2018 – 276%; September 30, 2018 – 259%) and 24% (December 31, 2018 – 25%; September 30, 2018 – 26%), respectively. The Company's debt and leverage will usually rise with an increase in finance receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at September 30, 2019, the Company is required to maintain a debt to TNW ratio of less than 3.5 on its syndicated bank facility. BondIt, which has entered into a loan facility with a non-bank lender, is required to maintain a TNW of US$5,000,000. There were no changes in the Company's approach to capital management from previous periods.

23. Subsequent events

At October 30, 2019, there were no subsequent events occurring after September 30, 2019 that required disclosure or adjustments to the financial statements.

Corporate Information

Board of Directors

Ken Hitzig, Toronto, Ontario [2]

Simon Hitzig, Toronto, Ontario

David Beutel, Toronto, Ontario [1, 3]

Tom Henderson, Greenville, South Carolina

Gary Prager, Atlanta, Georgia [1, 3]

Robert S. Sandler, White Plains, New York [2, 3]

Stephen D. Warden, Oakville, Ontario [1, 2]

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Credit Committee

Officers

Ken Hitzig, Chairman of the Board

Tom Henderson, Vice Chairman

Simon Hitzig, President & CEO

Stuart Adair, Senior Vice President,
Chief Financial Officer

Jim Bates, Secretary

Fred Moss, Vice President

Subsidiaries

Accord Financial Ltd.
Jim Bates, President

Accord Financial Inc.
Jason Rosenfeld, President

Accord Financial, Inc.
Terry Keating, President

Accord Small Business Finance (Varion Capital Corp.)
James Jang, President

Accord CapX LLC
Jeff Pfeffer, President

BondIt Media Capital
Matthew Helderman, President

Auditors

KPMG LLP

Legal Counsel

Stikeman Elliott

Bankers

Bank of Montreal

The Bank of Nova Scotia

Branch Banking and Trust

Canadian Imperial Bank of Commerce

HSBC Bank Canada

M&T Bank

The Toronto-Dominion Bank

Stock Exchange Listing

Toronto Stock Exchange
Symbols:
Common Shares: ACD
Convertible Debentures: ACD.DB

Registrar & Transfer Agent

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602-40 Eglinton Avenue East • Toronto • Ontario • Canada M4P 3A2 • **Tel (800) 967-0015**
Fax (416) 961-9443 • **www.accordfinancial.com**

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Toronto (800) 967-0015
Montreal (800) 231-2977
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