Investing in Opportunities for Growth

Third Quarter Report • September 30, 2018

Simon Hitzig

From Our 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, 2018 together with comparative figures for the same period of 2017. These financial statements have been reviewed by the Company's auditors, and have been reviewed and approved by its Audit Committee and Board of Directors.

Net earnings attributable to the Company's shareholders rose by 32% to $2,616,000 in the third quarter of 2018 compared with $1,983,000 in last year's third quarter. Basic and diluted earnings per share ("EPS") rose 29% to 31 cents this quarter compared to 24 cents in the third quarter of 2017. Third quarter net earnings increased on higher revenue.

Adjusted net earnings, which comprise net earnings attributable to shareholders before non-operating stock-based compensation, business acquisition expenses (namely business transaction and integration costs and amortization of intangibles) and restructuring expenses, rose by 31% to $2,842,000 in the third quarter of 2018 compared to the $2,166,000 earned in the third quarter of 2017. Adjusted basic and diluted EPS, based on adjusted net earnings, were up 31% to 34 cents in the third quarter versus the 26 cents earned last year.

Revenue increased to a quarterly record $13,120,000 in the third quarter of 2018 compared to $8,370,000 last year mainly as a result of higher finance receivables and loans ("funds employed"), including the funds employed of Accord CapX LLC ("CapX") in which we acquired a majority position in October 2017.

The Company's total funds employed were a record $304 million at September 30, 2018, 38% higher than the $221 million a year earlier and $220 million last year-end. Average funds employed in the third quarter increased by 50% to $283 million compared with $189 million last year. Shareholders' equity was a record $82 million at September 30, 2018 compared to $75 million at September 30, 2017. Book value per share was a record $9.82 versus $8.98 a year ago.

Net earnings attributable to shareholders for the first nine months of 2018 rose by 73% to $6,195,000 from the $3,577,000 earned in the first nine months of 2017. Basic and diluted EPS rose by 74% to 75 cents this year versus 43 cents last year. Net earnings rose mainly as a result of higher revenue.

Adjusted net earnings increased by 70% to $6,957,000 in the first nine months of 2018 compared to the

Table of Contents

$4,102,000 earned in the first nine months of 2017. Adjusted basic and diluted EPS rose by 71% to 84 cents versus 49 cents earned in the first nine months of 2017.

Revenue for the first nine months of 2018 increased 58% to a record $33,976,000 compared to $21,474,000 in the first nine months of 2017 mainly as a result of higher funds employed. Average funds employed in the first nine months were up 54% to $256 million compared with $166 million last year.

This quarter marked the seventh straight quarter of strong portfolio growth, with total funds employed topping $300 million for the first time when the books closed on September 30th. This growth is now driving revenue to record levels, with the first nine months delivering adjusted earnings of 84 cents per share, with both revenue and shareholders' net earning for the first nine months exceeding those for fiscal 2017. Trailing twelve months adjusted EPS clocked in at $1.19. The strong finish to the quarter sets up a nice start to the fourth quarter.

Our internal growth initiatives, coupled with a series of strategic acquisitions, have generated renewed growth for Accord Financial. Accord's ability to respond to the market with relevant and competitive products, has been a hallmark of our company since its founding in 1978. In recent years we've expanded and refined our asset-based lending capabilities, allowing us to lend against a more complete range of assets, including receivables, inventory and equipment. We have also built a terrific new product based on our deepest expertise – lender finance. This program has opened up a productive new market, and allowed us to participate in the growth of a number of savvy specialty lenders in sectors adjacent to ours.

It's now been fifteen months since acquiring a 51% stake in BondIt Media Capital, and almost twelve months since our investment in CapX Partners. The addition of these two outstanding companies diversified our product range and solidified our market presence throughout the United States and Canada. Within this short period of time I'm pleased to report that both businesses are contributing nicely to Accord's success and the marketing synergies are just now gaining traction.

To set the stage for continued growth, we've taken steps to strengthen our capital base. During the quarter we extended and increased our main bank facility to $292 million with a syndicate of six banks. In addition, the facility has a $75 million accordion feature. This three-year facility is a significant step up from the previous facility of $185 million, and gives us adequate banking support for the near term. Financial strength has been a key part of our brand for forty years, which means we continue to assess a full range of alternative sources of capital to augment our equity and bank financing if and when needed.

While I'm pleased to write about our growth in recent years, as always, asset quality remains our primary focus. In the first nine months of 2018, actual charge-offs related to our funds employed totalled less than $200,000. This is a remarkable feat, which we cannot project into the future. But managing a high-quality portfolio remains priority number one.

At the Board of Directors meeting held today, a regular quarterly dividend of 9 cents per common share was declared, payable December 3, 2018 to shareholders of record November 15, 2018.

Simon Hitzig
President and Chief Executive Officer
October 29, 2018

Stuart Adair

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

Quarter and nine months ended September 30, 2018 compared with quarter and nine months ended September 30, 2017

Overview

The following discussion and analysis explain 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, 2018 compared with the quarter and nine months ended September 30, 2017 and, where presented, the quarter and nine months ended September 30, 2016. 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 29, 2018, 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, 2018 and 2017, which have been reviewed by the Company's auditors and are included as part of this 2018 Third Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2017 audited consolidated financial statements and notes thereto included in the Company's 2017 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. 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 are defined as follows:

i) **Return on average equity ("ROE")** – this is a profitability measure that presents the net earnings attributable to shareholders ("shareholders' net earnings") for the period 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 and integration costs and amortization of intangibles) and 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** – (i) total equity expressed as a percentage of total assets; and (ii) debt (bank indebtedness, loan payable and notes payable) expressed as a percentage of total equity. These percentages provide information on trends in the Company's financial position 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 a leading North American provider of asset-based financial services to businesses, namely, asset-based lending ("ABL") (including factoring, receivables, inventory, lease and equipment financing), working capital financing, film and media financing, credit protection and receivables management, and supply chain financing for importers. The Company's financial services are discussed in more detail in its 2017 Annual Report. Its clients operate in a wide variety of industries, examples of which are set out in note 17(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 Varion Capital Corp. ("Varion") (doing business as 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.

Financial Highlights

(unaudited, in thousands except average funds employed, earnings per share and book value per share)	Three months ended September 30 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Average funds employed (millions)	**$ 283**	$ 189	**$ 256**	$ 166
Revenue	**13,120**	8,370	**33,976**	21,474
Net earnings attributable to shareholders	**2,616**	1,983	**6,195**	3,577
Adjusted net earnings	**2,842**	2,166	**6,957**	4,102
Earnings per common share (basic and diluted)	**0.31**	0.24	**0.75**	0.43
Adjusted earnings per common share (basic and diluted)	**0.34**	0.26	**0.84**	0.49
Book value per share (September 30)			**$ 9.82**	$ 8.98

Quarterly Financial Information

(unaudited, in thousands except earnings per share)

Quarter ended		Revenue	Shareholders' Net Earnings	Earnings Per Common Share*
2018	**September 30**	**$ 13,120**	**$ 2,616**	**$ 0.31**
	June 30	**10,823**	**2,363**	**0.28**
	March 31	**10,033**	**1,216**	**0.15**
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
2016	December 31	$ 7,722	$ 2,210	$ 0.27
	September 30	7,032	1,265	0.15
	June 30	6,897	1,627	0.20
	March 31	6,871	1,465	0.18
Fiscal 2016		$ 28,522	$ 6,566**	$ 0.79**

* 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, 2018 compared with quarter ended September 30, 2017

Shareholders' net earnings for the quarter ended September 30, 2018 increased by $633,000 or 32% to $2,616,000 compared to the $1,983,000 earned in the third quarter of 2017 and were 107% above 2016's third quarter net earnings of $1,265,000. Shareholders' net earnings were a third quarter record. Net earnings increased compared to 2017 and 2016 as a result of higher revenue.

Basic and diluted earnings per common share ("EPS") increased by 29% to 31 cents from the 24 cents earned in the third quarter of 2017 and were more than double the 15 cents earned in the third quarter of 2016.

Adjusted net earnings for the third quarter were $2,842,000, 31% higher than the $2,166,000 earned in 2017 and 48% above the $1,923,000 earned in 2016. Adjusted basic and diluted earnings per share were 34 cents, 31% higher than the 26 cents earned in 2017 and 48% above the 23 cents earned in 2016.

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

Quarter ended September 30 (in thousands)	2018	2017	2016
Shareholders' net earnings	**$ 2,616**	$ 1,983	$ 1,265
Adjustments, net of tax:			
Stock-based compensation	**34**	47	34
Business acquisition expenses	**192**	136	94
Restructuring expenses	**—**	—	530
Adjusted net earnings	**$ 2,842**	$ 2,166	$ 1,923

Revenue in the current quarter increased by 57% or $4,750,000 to a quarterly record $13,120,000 compared to $8,370,000 last year and was 87% higher than the $7,032,000 in 2016's third quarter. Revenue increased compared to 2017 and 2016 mainly as a result of higher average funds employed, including the funds employed of CapX, which was acquired in the fourth quarter of 2017. Revenue from CapX totalled $2,576,000 in the current quarter. Funds employed has grown both organically and by acquisition. Average funds employed in the third quarter of 2018 totalled $283 million, 50% higher than the $189 million in the third quarter of 2017 and 87% higher than the $151 million in the third quarter of 2016. Funds employed at September 30, 2018 were a record high $304 million compared to $221 million and $162 million at September 30, 2017 and 2016, respectively.

Total expenses for the third quarter of 2018 increased by 65% or $3,963,000 to $10,015,000 compared to $6,052,000 last year. General and administrative expenses ("G&A"), interest expense, the provision for credit and loan losses, business acquisition expenses (transaction and integration costs and amortization of intangibles) and depreciation increased by $1,848,000, $1,587,000, $453,000, $52,000 and $23,000, respectively, as the Company continues to grow.

Interest expense rose by 149% to $2,655,000 in the third quarter of 2018 compared to $1,068,000 last year on a 73% rise in average borrowings and increased interest rates.

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 $1,848,000 or 47% to $5,810,000 in the current quarter compared to $3,962,000 last year mainly as a result of CapX G&A, which totalled $1,326,000 in the current quarter, as well as increased personnel costs in other group companies consistent with their growth. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses increased by $453,000 or 58% to $1,234,000 in the third quarter of 2018 compared to $781,000 last year. The provision comprised:

Quarter ended September 30 (in thousands)	**2018**	**2017**
Net charge-offs	**$ 162**	$ 238
Reserves expense related to increase in total allowances for losses	**1,072**	543
	$ 1,234	$ 781

There were net charge-offs of $162,000 in the current quarter compared to $238,000 last year, while the non-cash reserves expense rose by $529,000 to $1,072,000 compared to $543,000 last year. The significant rise in non-cash reserves expense was mainly due to a $42 million increase in funds employed in the quarter and the resulting requirement to increase the Company's allowance for losses. In times where funds employed are growing significantly, this non-cash item will tend to adversely impact shareholders' net earnings. The Company's allowances for losses, which reflect the adoption of the expected credit loss ("ECL") modelling required under IFRS 9, Financial Instruments, on January 1, 2018 are discussed in detail below. 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.

Business acquisition expenses consist of transaction and integration costs relating to the BondIt and CapX acquisitions and amortization of intangibles. For the quarter ended September 30, 2018, these expenses totalled $254,000 (2017 – $202,000). Transaction and integration costs totalled $151,000 (2017 – $110,000), while the amortization of intangible assets totalled $103,000 (2017 – $92,000). Transaction costs in 2018 of $151,000 pertain to the accretion expense, or interest, on the contingent consideration that is payable on the CapX acquisition (see below). Please refer to note 6 to the Statements for details of the Company's intangible assets and amortization thereof.

Income tax expense declined to $274,000 in the current quarter compared to $314,000 in the third quarter of 2017.

Non-controlling interests in the earnings of BondIt and CapX for the current quarter totalled $215,000 (2017 – $21,000).

Canadian operations reported shareholders' net earnings of $675,000, a $386,000 decrease, in the third quarter of 2018 mainly on higher interest expense. Revenue rose by 13% or $744,000 to $6,354,000. Expenses increased by $1,304,000 to $5,421,000. Interest expense, G&A and depreciation increased by $1,379,000, $168,000 and $8,000, respectively. The provision for credit and loan losses and business acquisition expenses declined by $228,000 and $23,000, respectively. Income tax expense decreased by $174,000 to $258,000.

U.S. operations reported a 111% increase in shareholders' net earnings in the third quarter of 2018 compared to 2017. Shareholders' net earnings increased by $1,019,000 to $1,941,000 as a result of higher revenue. Revenue rose by $4,057,000 or 147% to $6,817,000 mainly on higher funds employed, including those of CapX which was acquired in the fourth quarter of 2017. Expenses increased by $2,710,000 to $4,645,000. G&A, the provision for credit and loan losses, interest expense, business acquisition expenses, and depreciation rose by $1,680,000, $681,000, $259,000, $75,000 and $15,000, respectively. Income tax rose by $134,000 to $16,000.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Shareholders' net earnings in the first nine months of 2018 increased by 73% or $2,618,000 to $6,195,000 compared to $3,577,000 last year. Shareholders' net earnings increased compared to 2017 largely as a result of higher revenue. Basic and diluted EPS for the current nine months increased by 74% to 75 cents compared to the 43 cents earned last year. ROE in the first nine months of 2018 was 10.5% compared to 6.2% last year.

Adjusted net earnings increased by $2,855,000 or 70% to $6,957,000 in the first nine months of 2018 compared to last year's $4,102,000. Adjusted basic and diluted EPS rose by 71% to 84 cents compared to 49 cents in the first nine months of 2017. Adjusted ROE for the first nine months of 2018 was 11.1% compared to 7.1% in 2017.

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

Nine months ended Sept. 30 (in thousands)	**2018**	**2017**	**2016**
Shareholders' net earnings	**$ 6,195**	$ 3,577	$ 4,357
Adjustments, net of tax:			
Stock-based compensation	**169**	143	145
Business acquisition expenses	**593**	272	281
Restructuring expenses	**—**	110	530
Adjusted net earnings	**$ 6,957**	$ 4,102	$ 5,313

Revenue for the first nine months of 2018 increased by $12,502,000 or 58% to $33,976,000 compared with $21,474,000 last year. Revenue increased compared to 2017 mainly as a result higher average funds employed, including those of CapX and BondIt which were acquired in the second half of 2017. Revenue from CapX and BondIt totalled $8,552,000 in the first nine months of 2018 (2017: $607,0000). Average funds employed in the first nine months of 2018 totalled $256 million, 54% above last year's $166 million.

Total expenses for the current nine months increased by $9,000,000 or 50% to $26,872,000 compared to $17,872,000 last year. G&A, interest expense, business acquisition expenses, depreciation and impairment of assets held for sale increased by $5,091,000, $3,672,000, $399,000, $42,000 and $25,000, respectively. The provision for credit and loan losses declined by $229,000.

Interest expense rose by 150% to $6,112,000 compared to $2,440,000 in the first nine months of 2017 on an 86% rise in average borrowings and increased interest rates.

G&A increased by 43% to $16,931,000 in the first nine months of 2018 compared to $11,840,000 last year mainly as a result of CapX and BondIt G&A, which totalled $4,608,000 in the first nine months of 2018 (2017 – $207,0000), as well as increased personnel costs in other group companies consistent with their growth.

The provision for credit and loan losses decreased by $229,000 to $2,859,000 in the first nine months of 2018 compared to $3,088,000 last year. The provision comprised:

Nine months ended September 30 (in thousands)	**2018**	**2017**
Net charge-offs	**$ 776**	$ 2,336
Reserves expense related to increase in total allowances for losses	**2,083**	752
	$ 2,859	$ 3,088

Net charge-offs declined by $1,560,000 to $776,000 in the first nine months of 2018 compared to last year, while the non-cash reserves expense increased by $1,331,000 to $2,083,000, mainly as a result of an $84 million increase in funds employed in 2018. 2017's net charge-offs included $1,576,000 in respect of one account.

Business acquisition expenses consist of transaction and integration costs relating to the BondIt and CapX acquisitions and amortization of intangibles. For the nine months ended September 30, 2018, these expenses totalled $785,000 (2017 – $386,000). Transaction and integration costs totalled $478,000 (2017 – $110,000), while the amortization of intangible assets totalled $307,000 (2017 – $276,000). Transaction costs in 2018 of $478,000 pertain to the accretion expense, or interest, on the contingent consideration that is payable on the CapX purchase (see below). Please refer to note 6 to the Statements for details of the Company's intangible assets and amortization thereof.

Income tax expense increased by $203,000 to $207,000 compared to $4,000 in the first nine months of 2017.

Non-controlling interests in the earnings of BondIt and CapX for the first nine months of 2018 totalled $702,000 (2017 – $21,000).

Canadian operations reported a 52% decrease in shareholders' net earnings in the first nine months of 2018 compared to 2017 (see note 16 to the Statements). Shareholders' net earnings declined by $1,258,000 to $1,161,000 compared to $2,419,000 last year on higher expenses. Revenue increased by $2,013,000 to $16,769,000. Expenses increased by $3,773,000 to $15,135,000. Interest expense, G&A, impairment of assets held for sale and depreciation rose by $3,313,000, $732,000, $25,000 and $14,000, respectively. The provision for credit and loan losses and amortization of intangible assets were lower by $244,000 and $67,000, respectively. Income tax expense decreased by 52% to $473,000 on a similar decrease in pre-tax earnings.

U.S. operations reported a $3,876,000 increase in shareholders' net earnings in the first nine months of 2018 compared to 2017. Shareholders' net earnings increased to $5,034,000 compared to $1,158,000 last year. Revenue increased by $10,584,000 to $17,302,000 on the CapX and BondIt acquisitions in the second half of 2017. Expenses increased by $5,322,000 to $11,832,000. G&A increased by $4,359,000 to $8,803,000, business acquisition expenses rose by $466,000, interest expense increased by $454,000, depreciation expense rose by $28,000, while the provision for losses increased by $15,000 to $1,748,000. There was an income tax recovery of $266,000 in the first nine months of 2018.

Review of Financial Position

Shareholders' equity at September 30, 2018 was a record $81,605,000, $5,157,000 higher than the $76,448,000 at December 31, 2017 and $7,000,000 higher than the $74,605,000 at September 30, 2017. Book value per common share was a record $9.82 at September 30, 2018 compared to $9.20 at December 31, 2017 and $8.98 a year earlier. The increase in equity since December 31, 2017 resulted from a rise in retained earnings and accumulated other comprehensive income. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 17 of this report.

Total assets were a record high $325,331,000 at September 30, 2018 compared to $251,020,000 at December 31, 2017 and $236,086,000 at September 30, 2017. Total assets largely comprised Loans. Excluding inter-company balances, identifiable assets located in the United States were 53% of total assets at September 30, 2018 compared to 47% at December 31, 2017 and 38% at September 30, 2017.

Loans, before the allowance for losses thereon, totalled a record high $303,731,000 at September 30, 2018, 38% above the $220,104,000 at December 31, 2017 and $220,712,000 at September 30, 2017. As detailed in note 4 to the Statements, the Company's Loans comprised:

(in thousands)	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017
Factored receivables	**$ 121,643**	$ 96,852	$ 107,041
Loans to clients	**124,706**	105,950	105,578
Lease receivables	**57,382**	17,302	8,093
Finance receivables and loans	**303,731**	220,104	220,712
Less allowance for losses	**4,163**	2,129	2,190
Finance receivables and loans	**$ 299,568**	$ 217,975	$ 218,522

The Company's factored receivables increased by 26% to $121,643,000 at September 30, 2018 compared to $96,852,000 at December 31, 2017 and were 14% higher than the $107,041,000 at September 30, 2017. Loans to clients, which mainly comprise advances against non-receivable assets such as inventory and equipment, as well as BondIt's media finance loans, rose by 18% to $124,706,000 at September 30, 2018 compared to $105,950,000 at December 31, 2017 and $105,578,000 last September 30. On the back of growth in CapX's portfolio, lease receivables, representing the Company's net investment in equipment leases, rose 232% to $57,382,000 at September 30, 2018 compared to $17,302,000 at December 31, 2017 and were seven times higher than the $8,093,000 at September 30, 2017. Net of the allowance for losses thereon, Loans increased by 37% to $299,568,000 at September 30, 2018 compared to $217,975,000 at December 31, 2017 and $218,522,000 at September 30, 2017. 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 at September 30, 2018, as well as ASBF's and CapX's equipment leases and loans to approximately 300 clients and BondIt's media finance loans. Two clients each comprised over 5% of total Loans at September 30, 2018, of which the largest client comprised 7%.

In its credit protection and receivables management business, the Company contracts with clients to assume the credit risk associated with respect to their receivables usually 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 $60 million at September 30, 2018 compared to $53 million at December 31, 2017 and $79 million at September 30, 2017. Managed receivables comprise the receivables of approximately 80 clients at September 30, 2018. The 25 largest clients comprised 83% of non-recourse volume in the first nine months of 2018. 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, 2018, the 25 largest customers accounted for 60% of the total managed receivables, of which the largest five comprised 37%. The Company monitors the retail industry and the credit risk related to its managed receivables very closely. The managed receivables are regularly reviewed and continue to be well rated.

The Company's total portfolio, which comprises both Loans and managed receivables, increased by 33% to $364 million at September 30, 2018 compared to

$274 million at December 31, 2017 and was 21% higher than the $300 million at September 30, 2017.

As described in note 17(a) to the Statements, the Company's 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. Credit in the Company's asset-based lending businesses, 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 credit), the Company's Chairman and Vice Chairman of its Board. Credit in excess of $2,500,000 is also 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 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, a primary focus continues to be on the creditworthiness 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 invoice date. ASBF's and CapX's lease receivables and equipment and working capital loans are term loans with payments usually spread out evenly over the term of the lease or loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, 2.1% were past due more than 60 days at September 30, 2018. 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 a client rating system to assess 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 business it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the highest quality and that the collateral value of any inventory, equipment or other assets securing loans is appropriately appraised. 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 financial strength of its clients' customers is often more important than the financial strength of the clients themselves.

The Company also minimizes credit risk by limiting the maximum amount it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, 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. 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 equipment financing operations, security deposits are usually obtained in respect of each equipment lease or loan. In its 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 17(a) to the Statements provides details of the Company's credit exposure by industrial sector.

After the customary detailed quarter-end review of the Company's portfolio by its Risk Management Committee, it was determined that all problem loans and accounts were identified and provided for where necessary. The Company maintains separate allowances for losses on both its Loans and its guarantee of managed receivables, at amounts which, in management's judgment, are sufficient to cover losses thereon.

The Company adopted IFRS 9 effective January 1, 2018, which replaced IAS 39, Financial Instruments, Recognition and Measurement of Financial Assets and Liabilities. Under IFRS 9 the Company initially recognizes its financial assets at fair value plus or minus direct and incremental transaction costs, and subsequently measures them at amortized cost using the effective interest rate method, net of any allowances for ECLs. Upon adoption of IFRS 9 on January 1, 2018 the Company's allowances for losses were remeasured. The allowance for losses on finance receivables and loans was reduced by $132,000 to $1,997,000 (IAS 39 – $2,129,000), while the allowance for losses on the guarantee of managed receivables was increased by $10,000 to $140,000 (IAS 39 – $130,000). These remeasurements, net of taxes, totalled $81,000, of which $87,000 was credited to retained earnings and $6,000 was debited to non-controlling interests. See detailed discussion in note 3(a) to the statements.

The allowance for losses on Loans, calculated under the ECL model of IFRS 9, increased by 108% to $4,163,000 at September 30, 2018 compared to $1,997,000 (remeasured under IFRS 9) at December 31, 2017. The allowance was 90% higher than the $2,190,000 (calculated under IAS 39) at September 30, 2017. The allowance for losses on the guarantee of managed receivables decreased to $110,000 at September 30, 2018 compared to the $140,000 (remeasured under IFRS 9) at December 31, 2017 and was 40% lower than the $184,000 (calculated under IAS 39) at September 30, 2017. 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 2018 and 2017 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 $5,045,000 at September 30, 2018 compared with $12,457,000 at December 31, 2017 and the $6,084,000 at September 30, 2017. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Intangible assets, net of accumulated amortization, totalled $4,016,000 at September 30, 2018 compared to $4,227,000 at December 31, 2017 and $711,000 at September 30, 2017. 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. No intangible assets were acquired on the acquisition of BondIt on July 1, 2017. Intangible assets comprising existing customer contracts and broker relationships were also acquired as part of the Varion acquisition on January 31, 2014. These are being amortized over a period of 5 to 7 years. Please refer to note 6 to the Statements.

Goodwill totalled $13,382,000 at September 30, 2018 compared to $13,082,000 at December 31, 2017 and $6,022,000 at September 30, 2017. Goodwill of US$2,409,000 and US$5,538,000, respectively, was acquired on the acquisitions 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. subsidiary. Goodwill of $1,883,000 was also acquired as part of the Varion acquisition in 2014, while goodwill of US$962,000 is also carried in the Company's U.S. subsidiary from an earlier acquisition. All goodwill carried in the Company's U.S. subsidiary is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 7 to the Statements.

Other assets, income taxes receivable, net deferred tax assets, assets held for sale and capital assets at September 30, 2018 and 2017 and December 31, 2017 were not material.

Total liabilities increased by $68,354,000 to $239,241,000 at September 30, 2018 compared to $170,887,000 at December 31, 2017 and were $80,953,000 higher than the $158,288,000 at September 30, 2017. The increase since December 31 and September 30, 2017 mainly resulted from higher bank indebtedness.

Amounts due to clients decreased to $3,224,000 at September 30, 2018 compared to $4,630,000 at December 31, 2017 and $3,824,000 at September 30, 2017. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a few days of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness increased by $57,150,000 to $195,290,000 at September 30, 2018 compared with $138,140,000 at December 31, 2017 and was $60,233,000 higher than the $135,057,000 at September 30, 2017. Bank indebtedness mainly increased compared to last December 31 to fund the rise in Loans. The Company extended and increased its credit facility with a syndicate of banks in the third quarter. The new facility totalling $292 million is for a three year term maturing on July 25, 2021. The Company was in compliance with all loan covenants under the current and previous credit facilities during the nine months ended September 30, 2018 and 2017. Bank indebtedness usually fluctuates with the quantum of Loans outstanding.

Loan payable totalled $5,333,000 at September 30, 2018 (December 31 and September 30, 2017 – nil). A revolving line of credit totalling $12,908,000 (US$10,000,000) was established during the second quarter 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. The Company has been in compliance with all loan covenants under this line of credit since it was entered into.

Accounts payable and other liabilities increased by $562,000 to $11,562,000 at September 30, 2018 compared to $11,000,000 at December 31, 2017 and was $8,878,000 higher than the $2,684,000 at September 30, 2017. The increase since last September 30 mainly comprised the estimated fair value of the contingent consideration payable on the acquisition of CapX which totalled $7,778,000 at September 30, 2018.

Income taxes payable, deferred income and deferred tax liabilities, net, at September 30, 2018 and 2017 and December 31, 2017 were not material.

Notes payable increased to $22,061,000 at September 30, 2018 compared to $15,862,000 at December 31, 2017 and $15,576,000 at September 30, 2017. Notes payable comprise unsecured short-term notes due in less than one year ($9,920,000), as well as long-term notes ($12,141,000) which mature on July 31, 2021. The short-term notes comprise: (i) notes due on, or within a week of, demand totalling ($7,984,000); and (ii) numerous BondIt notes ($1,936,000), which are repayable on various dates the latest of which is by August 2, 2019. The long-term notes were entered into for a three year period on August 1, 2018. The increase in notes payable resulted from new notes issued, as well as accrued interest. Please see notes payable (related party transactions) section below and note 10 to the Statements.

Capital stock totalled $6,914,000 at September 30, 2018 compared to $6,896,000 at December 31, 2017 and September 30, 2017. There were 8,309,642 common shares outstanding at September 30, 2018 compared to 8,307,713 outstanding on December 31, 2017 and September 30, 2017. Please see note 11 to the Statements and the consolidated statements of changes in equity on page 17 of this report for details of changes in capital stock in the first nine months of 2018 and 2017. At the date of this MD&A, October 29, 2018, 8,428,542 common shares remained outstanding.

Retained earnings totalled $67,700,000 at September 30, 2018 compared to $63,661,000 at December 31, 2017 and $61,976,000 at September 30, 2017. In the first nine months of 2018 retained earnings increased by $4,039,000. The increase comprised net earnings of $6,195,000 less dividends paid of $2,243,000 (27 cents per common share) plus the $87,000 increase relating to the change in allowances for losses upon adoption of IFRS 9 on January 1, 2018. Please see the consolidated statements of changes in equity on page 17 of this report for details of changes in retained earnings in the first nine months of 2018 and 2017.

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 U.S. dollar reporting foreign subsidiaries. The AOCI balance totalled $6,673,000 at September 30, 2018 compared to $5,593,000 at December 31, 2017 and $5,447,000 at September 30, 2017. Please refer to note 14 to the Statements and the consolidated statements of changes in equity on page 17 of this report, which details movements in the AOCI account during the first nine months of 2018 and 2017. The $1,080,000 rise in AOCI in the first nine months of 2018 resulted from an increase in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar strengthened to $1.2908 from $1.2571 at December 31, 2017. This increased the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$34 million by $1,080,000 in the first nine months of 2018.

Non-controlling interests in subsidiaries ("NCIS") represents equity ownership in CapX and BondIt by their senior executives. NCIS increased to $4,485,000 at September 30, 2018 (December 31, 2017 – $3,684,000;

September 30, 2017 – $3,193,000). Please see consolidated statements of changes in equity on page 17 of this report for details of changes in NCIS in the first nine months of 2018 and 2017.

Liquidity and Capital Resources

The Company considers its capital resources to include equity and debt, namely, its bank indebtedness, loan payable and notes payable. 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 that 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 equity and its equity to total assets. These ratios are were as follows:

(as a percentage)	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017
Debt* / Equity	**259%**	193%	194%
Equity / Assets	**26%**	32%	33%

* bank indebtedness, loan payable and notes payable

The Company's financing and capital requirements generally increase with the level of Loans outstanding. The collection period and resulting turnover of outstanding receivables 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 programs.

The Company had credit lines totalling approximately $305 million at September 30, 2018 and had borrowed $201 million against these facilities. Funds generated through operating activities and issuance of notes payable decrease the usage of, and dependence on, these lines.

As noted in the Review of Financial Position section above, the Company had cash balances of $5,045,000 at September 30, 2018 compared to $12,457,000 at December 31, 2017. 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, dividend payments and share repurchases 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, 2018 compared with the nine months ended September 30, 2017

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $9,869,000 in the first nine months of 2018 compared to $4,881,000 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 $71,779,000 in the first nine months of 2018 compared to $81,304,000 last year. The net cash outflow in the current nine months largely resulted from financing Loans of $80,034,000. In the first nine months of 2017, the net cash outflow principally resulted from financing Loans of $83,441,000. 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 18 of this report.

Contractual Obligations and Commitments at September 30, 2018

(in thousands of dollars)	Payments due in				
	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter	Total
Operating lease obligations	$ 584	$ 999	$ 679	$ 321	**$ 2,583**
Purchase obligations	114	17	—	—	**131**
	$ 698	$ 1,016	$ 679	$ 321	**$ 2,714**

Cash outflows from investing activities totalled $444,000 in the first nine months of 2018 compared to an inflow of 811,000 in 2017 and comprised net capital asset additions. In 2017, cash consideration of $6,488,000 was paid for the BondIt acquisition, while cash acquired from the acquisition was $7,565,000 before non-controlling interest therein for a net inflow of $1,077,000. Net capital asset addition's totalled $266,000 in 2017.

Net cash inflow from financing activities totalled $64,887,000 in the first nine months compared to $73,033,000 last year. The net cash inflow in the current nine months resulted from an increase in bank indebtedness of $55,231,000, notes payables issued, net, of $6,163,000, increase in loan payable of $5,718,000 and common shares issued of $18,000. Partially offsetting these inflows were dividend payments of $2,243,000. The net cash inflow in the first nine months of 2017 resulted from an increase in bank indebtedness of $73,873,000 and notes payable issued, net, of $1,403,000. Partially offsetting these inflows were dividend payments of $2,243,000.

The effect of exchange rate changes on cash comprised a reduction of $76,000 in the first nine months of 2018 compared to a gain of $771,000 in the first nine months of 2017.

Overall, there was a net cash outflow of $7,412,000 in the first nine months of 2018 compared to $6,689,000 in the first nine months of 2017.

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 ($7,984,000) and bear interest at rates that vary with bank Prime or Libor; and (ii) numerous BondIt notes ($1,936,000) which are repayable on various dates the latest of which is August 2, 2019 and bear interest at rates up to 12%. The long-term notes maturing on July 31, 2021 ($12,141,000) were entered into for a three year term commencing August 1, 2018 and carry a fixed interest rate of 7%. Notes payable at September 30, 2018 totalled $22,061,000 compared with $15,862,000 at December 31, 2017 and $15,576,000 at September 30, 2017. Of these notes payable, $19,662,000 (December 31, 2017 – $14,038,000; September 30, 2017 – $13,280,000) was owing to related parties and $2,399,000 (December 31, 2017 – $1,824,000; September 30, 2017 – $2,296,000) to third parties. Interest expense on these notes in the current quarter and first nine months of 2018 totalled $309,000 (2017 – $135,000) and $655,000 (2017 – $283,000), respectively. Please refer to note 10 to the Statements.

Financial Instruments

All financial assets and liabilities, with the exception of cash, derivative financial instruments, the guarantee of managed receivables, the Company's share appreciation rights and long-term incentive plan liabilities, are recorded at cost. The exceptions noted are recorded at fair value. Financial assets or liabilities, other than the lease receivables and equipment loans in our equipment financing businesses, are short term in nature and, therefore, their carrying values approximate fair values.

At September 30, 2018, there were no outstanding forward foreign exchange contracts entered into by the Company.

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 allowances on its Loans and its guarantee of managed receivables may comprise specific and general components. A specific allowance may be established against Loans that the Company identifies as impaired, or non-performing, which it determines, based on its review, identification and evaluation, and concludes that a timely collection of interest and principal payments is no longer assured and that the estimated net realizable value of the Company's loan collateral is below its book value. Similarly, a specific allowance may be established against managed receivables where the Company concludes that a clients' customer could become insolvent and its guarantee be called upon. In such cases, the Company will estimate the fair value of the required payments to clients under their guarantees, net of any estimated recoveries expected from the insolvent customer's estate. These allowances are categorized as Stage 3 allowances and are credited against the loan balance, or in the case of customer guarantees, an accrual made for the fair value of estimated payments to clients.

A general or collective allowance on both its Loans and its guarantee of managed receivables is established to reserve against expected credit losses that are estimated to have occurred but cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. In establishing its Stage 1 collective allowances, the Company applies percentage formulae to its Loans and managed receivables based on its credit risk analysis, while its Stage 2 general allowances are based on a review of the loan or managed receivable. As stated above 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. 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; or (ii) lifetime ECL (also referred to as Stage 2 ECL) which comprises an allowance for those financial instruments which have experienced a SICR since initial recognition. We recognize lifetime ECL for Stage 2 financial instruments compared to 12 months ECL for Stage 1 financial instruments. 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(a) and 4 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 Policies

Effective January 1, 2018, the Company adopted two new accounting standards as issued by the IASB comprising IFRS 9 and IFRS 15, Revenue from Contracts with Customers. As discussed above, IFRS 9 replaced IAS 39. IFRS 9 was applied on a retrospective basis. Accord did not restate prior period comparative consolidated financial statements, which are reported under IAS 39 and are therefore not comparable to the information presented for 2018.

The adoption of IFRS 9 resulted in changes in accounting policy in two principal areas: (i) classification and measurement; and (ii) impairment. Please refer to note 3(a) to the Statements for a detailed discussion on the adoption of IFRS 9.

Under IFRS 15, there was no material change to the way that the Company accounts for revenue. Please refer to the Company's revenue recognition policy in note 3(c) to the statements.

Future Changes in Accounting Policies

IFRS 16, Leases, will replace existing guidance on accounting for leases. The accounting treatment of leases by lessees will change fundamentally. 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 is effective for fiscal years beginning January 1, 2019. The Company has started analyzing the impact of adoption of IFRS 16, however, the final impact has not yet been determined.

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, 2018, 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 17 to the Statements, which discuss the Company's principal financial risk management practices.

Competition

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 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 and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to competing services, 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, operating results and financial condition. The Company will not, however, compromise its credit standards.

Economic slowdown

The Company operates mainly in Canada and the United States. Economic weakness in either of the Company's markets can affect its ability to do new business as quality prospects become limited, although in a weak economy competition may lessen, which could result in the Company seeing more prospects. Further, the Company's clients and their customers are often adversely affected by economic slowdowns and this can lead to increases in its provision for credit and loan losses.

Credit risk

The Company is in the business of financing its clients' receivables and making asset-based loans, including inventory and equipment financing. The Company's portfolio totalled $364 million at September 30, 2018. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 17(a) to the Statements.

Interest rate risk

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 some degree. However, as the Company's floating rate Loans currently exceed its floating and short-term fixed rate borrowings, the Company is exposed to some degree to interest rate fluctuations. This gap is much diminished recently as a result of the Company's equipment financing businesses, where lease receivables and equipment term loans are typically at fixed effective interest rates, while related bank borrowings tend to be at floating rates. Please refer to note 17(c)(ii) to the Statements.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources is held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and attempt to neutralize the impact of foreign exchange movements on its operating results where possible. 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 impacted the value of the Company's net Canadian dollar investment in its foreign subsidiaries, which had, in the past, reduced the AOCI component of equity to a loss position, although this has now recovered to a sizable gain position at September 30, 2018. Please see notes 14 and 17(c)(i) to the Statements.

Potential acquisitions and investments

The Company seeks to acquire or invest in businesses that expand or complement its current business. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisitions or investments will generate additional earnings or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and its ability to manage growth. Business combinations also require management to exercise judgment in measuring the fair value of assets acquired, liabilities and contingent liabilities assumed and equity instruments issued.

Personnel significance

Employees are a significant asset of the Company. Market forces and competitive pressures may adversely affect the ability of the Company to recruit and retain key qualified personnel. The Company mitigates this risk by providing a competitive compensation package, which includes profit sharing, long-term incentives, and medical benefits, as it continuously seeks to align the interests of employees and shareholders.

Outlook

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

The Company is starting to benefit from the substantial growth in its funds employed, which rose 58% in 2017 to finish the year at $220 million. In the first nine months of 2018, funds employed rose a further 38% to close the quarter at a record high $304 million on September 30, 2018. Growth in funds employed, a key indicator of where the Company is heading, has been achieved organically and through the investments in BondIt and CapX in the second half of 2017. Revenue in the first nine months of 2018 exceeded 2017's annual revenue and was a nine month record. 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 2018 and beyond. 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 new group companies are also expected to strongly grow their funds employed. BondIt which closed a new credit facility in the second quarter will help in this regard, while CapX, which started from scratch, is growing nicely. Our credit protection and receivables management business continues to face intense competition from multinational credit insurers which is expected to continue.

To support this growth the Company now has an increased bank line with a syndicate of six banks which should provide it with the majority of funding that it will need to keep it growing over the next few years.

With its substantial capital and borrowing capacity, Accord is well positioned to capitalize on market conditions. That, coupled with experienced management and staff, 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 29, 2018

Consolidated Statements of Financial Position (unaudited)

	September 30, 2018	December 31, 2017	September 30, 2017
Assets			
Cash	**$ 5,045,262**	$ 12,457,000	$ 6,084,396
Finance receivables and loans, net (note 4)	**299,568,457**	217,975,156	218,522,153
Income taxes receivable	**411,940**	1,023,144	512,087
Other assets	**1,199,700**	863,886	1,333,640
Assets held for sale (note 5)	**46,882**	71,882	1,215,656
Deferred tax assets, net	**694,248**	640,249	1,196,727
Capital assets	**965,896**	679,828	488,409
Intangible assets (note 6)	**4,016,471**	4,227,011	710,694
Goodwill (note 7)	**13,381,874**	13,081,651	6,022,163
	$ 325,330,730	$ 251,019,807	$ 236,085,925
Liabilities			
Due to clients	**$ 3,224,218**	$ 4,629,555	$ 3,824,074
Bank indebtedness (note 8)	**195,290,263**	138,140,342	135,057,408
Loan payable (note 9)	**5,333,117**	—	—
Accounts payable and other liabilities	**11,562,042**	10,999,747	2,684,071
Income taxes payable	**210,008**	408,854	452,728
Notes payable (note 10)	**22,061,223**	15,862,033	15,575,753
Deferred income	**1,484,456**	682,813	362,416
Deferred tax liabilities, net	**75,551**	163,954	331,336
	239,240,878	170,887,298	158,287,786
Equity			
Capital stock (note 11)	**$ 6,914,153**	$ 6,896,153	$ 6,896,153
Contributed surplus (note 11(c))	**317,470**	297,825	286,493
Retained earnings	**67,700,330**	63,661,034	61,975,990
Accumulated other comprehensive income (note 14)	**6,672,604**	5,593,426	5,446,768
Shareholders' equity	**81,604,557**	76,448,438	74,605,404
Non-controlling interests in subsidiaries	**4,485,295**	3,684,071	3,192,735
Total equity	**86,089,852**	80,132,509	77,798,139
	$ 325,330,730	$ 251,019,807	$ 236,085,925

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 reviewed but not performed an audit of these condensed interim unaudited consolidated financial statements.

Consolidated Statements of Earnings (unaudited)

Three and nine months ended September 30	Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
Revenue				
Interest and other income (note 4)	**$ 13,119,842**	$ 8,370,142	**$ 33,976,156**	$ 21,474,003
Expenses				
Interest	**2,654,693**	1,067,565	**6,112,223**	2,440,133
General and administrative	**5,810,497**	3,962,279	**16,930,466**	11,840,083
Provision for credit and loan losses (note 4)	**1,234,129**	781,404	**2,859,189**	3,087,744
Impairment of assets held for sale	**—**	—	**25,000**	—
Depreciation	**61,639**	39,240	**160,223**	117,851
Business acquisition expenses				
Transaction and integration costs	**151,496**	109,977	**477,687**	109,977
Amortization of intangible assets	**102,834**	92,008	**307,031**	276,024
	10,015,288	6,052,473	**26,871,819**	17,871,812
Earnings before income tax expense	**3,104,554**	2,317,669	**7,104,337**	3,602,191
Income tax expense	**274,000**	314,000	**207,000**	4,000
Net earnings	**2,830,554**	2,003,669	**6,897,337**	3,598,191
Net earnings attributable to non-controlling interests in subsidiaries	**214,867**	20,926	**701,948**	20,926
Net earnings attributable to shareholders	**$ 2,615,687**	$ 1,982,743	**$ 6,195,389**	$ 3,577,265
Basic and diluted earnings per common share (note 12)	**$ 0.31**	$ 0.24	**$ 0.75**	$ 0.43

Consolidated Statements of Comprehensive Income (unaudited)

Three and nine months ended September 30	Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
Net earnings attributable to shareholders	**$ 2,615,687**	$ 1,982,743	**$ 6,195,389**	$ 3,577,265
Other comprehensive (loss) income:				
Items that are or may be reclassified to profit or loss:				
Unrealized foreign exchange (loss) income on translation of self-sustaining foreign operations (note 14)	**(677,788)**	(1,306,532)	**1,079,178**	(2,501,627)
Comprehensive income	**$ 1,937,899**	$ 0676,211	**$ 7,274,567**	$ 1,075,638

Consolidated Statements of Changes in Equity (unaudited)

	Capital Stock: Number of common shares outstanding	Capital Stock: Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Non-controlling interests in subsidiaries	Total equity
Balance at January 1, 2017	8,307,713	$ 6,896,153	$ 195,704	$ 60,641,807	$ 7,948,395	$ —	$ 75,682,059
Comprehensive Income	—	—	—	3,577,265	(2,501,627)	—	1,075,638
Stock-based compensation expense related to stock option grants	—	—	90,789	—	—	—	90,789
Dividends paid	—	—	—	(2,243,082)	—	—	(2,243,082)
Non-controlling interest in acquisition	—	—	—	—	—	3,297,395	3,297,395
Net earnings attributable to non-controlling interest in subsidiaries	—	—	—	—	—	20,926	20,926
Translation adjustments on non-controlling interests	—	—	—	—	—	(125,586)	(125,586)
Balance at September 30, 2017	8,307,713	$ 6,896,153	$ 286,493	$ 61,975,990	$ 5,446,768	$ 3,192,735	$ 77,798,139
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**
Common shares issued under long-term incentive plan	**1,929**	**18,000**	**—**	**—**	**—**	**—**	**18,000**
Comprehensive Income			**—**	**6,195,389**	**1,079,178**	**—**	**7,274,567**
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 adjustments on non-controlling interests	**—**	**—**	**—**	**—**	**—**	**105,436**	**105,436**
Impact of IFRS 9 remeasurement on January 1, 2018	**—**	**—**	**—**	**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	2018	2017
Cash provided by (used in)		
Operating activities		
Net earnings	$ 6,897,337	$ 3,598,151
Items not affecting cash:		
Allowance for losses, net of charge-offs and recoveries	2,083,095	751,746
Deferred income	166,808	28,155
Amortization of intangible assets	307,031	276,024
Depreciation	160,223	117,851
Loss on disposal of capital assets	2,941	14,383
Impairment of assets held for sale	25,000	—
Stock-based compensation expense related to stock option grants	19,645	90,789
Deferred tax recovery	(136,136)	(936,829)
Current income tax expense	343,136	940,829
	9,869,080	4,881,099
Changes in operating assets and liabilities		
Finance receivables and loans, gross	(80,033,556)	(83,441,328)
Due to clients	(1,421,218)	(235,015)
Other assets	(599,465)	(259,630)
Accounts payable and other liabilities	354,151	(866,147)
Income tax refund (paid), net	52,326	(1,382,636)
	(71,778,682)	(81,303,657)
Investing activities		
Net cash acquired on acquisition of subsidiary	—	1,076,530
Additions to capital assets, net	(443,667)	(266,009)
	(443,667)	810,521
Financing activities		
Bank indebtedness	55,230,814	73,872,962
Loan payable	5,718,102	—
Notes payable issued, net	6,163,080	1,403,595
Issuance of shares	18,000	—
Dividends paid	(2,243,257)	(2,243,082)
	64,886,739	73,033,475
Effect of exchange rate changes on cash	(76,128)	771,151
Decrease in cash	(7,411,738)	(6,688,510)
Cash at January 1	12,457,000	12,772,906
Cash at September 30	$ 5,045,262	$ 6,084,396
Supplemental cash flow information		
Net cash used in operating activities includes:		
Interest paid	$ 5,569,963	$ 2,285,518

Notes to the Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2018 and 2017

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 asset-based financial services, including 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, 2018, 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, 2017.

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(a) and 4), the determination of the value of intangible assets and goodwill on acquisition (notes 6 and 7), as well as the net realizable value of assets held for sale (notes 3(j) and 5) and 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)
- Share appreciation rights ("SARs") and senior executive long-term incentive plan ('LTIP") liabilities*
- Guarantee of managed receivables*

* component(s) of accounts payable and other liabilities

These condensed interim unaudited consolidated financial statements for the three and nine months ended September 30, 2018 were approved for issue by the Company's Board of Directors ("Board") on October 29, 2018.

3. Significant accounting policies

(a) Adoption of new accounting policies

Effective January 1, 2018, the Company adopted two new accounting standards as issued by the IASB comprising IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers. IFRS 9 replaced IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 was applied on a retrospective basis. The Company did not restate prior period comparative consolidated financial statements, which were reported under IAS 39 and are therefore not comparable to the information presented for 2018. The adoption of IFRS 9 resulted in changes in accounting policy in two principal areas: (i) classification and measurement; and (ii) impairment.

Classification and measurement – IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. IFRS 9 requires an entity to recognize a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

When an entity first recognizes a financial asset, it classifies it based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics. A financial asset is measured at amortized cost if both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, net of any allowance for expected credit losses (ECL). Consistent with IAS 39, loans measured at amortized cost under IFRS 9 include factored receivables, loans to clients and lease receivables. In addition, and also consistent with IAS 39, bank indebtedness, loans payable, notes payable and due to clients are accounted for at amortized cost under IFRS 9.

Financial assets are classified and measured at fair value through other comprehensive income ("FVOCI") if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Any other financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss ("FVTPL").

Impairment – under IFRS 9 allowances for ECL are recognized on all financial assets that are classified either at amortized cost or FVOCI and for all loan commitments and financial guarantees that are not measured at 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. 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; or (ii) lifetime ECL (also referred to as Stage 2 ECL) which comprises an allowance for those financial instruments which have experienced a SICR since initial recognition. 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 allowances for losses 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 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. Due to the inclusion of relative credit deterioration criteria and consideration of forward-looking information, lifetime credit losses are generally recognized earlier under IFRS 9 than IAS 39.

Changes in the required ECL allowances, including the impact of financial instruments migrating between Stage 1 and Stage 2, are recorded in the provision for credit and loan losses in the consolidated statements of income. 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 "watch list." Stage 3 financial instruments are those that the Company has classified as impaired. Lifetime ECL are recognized for all Stage 3 financial instruments. 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.

Under IFRS 9, financial instruments on which repayment of principal or payment of interest is contractually 30 days in arrears are generally presumed as having a SICR, while financial instruments on which repayment of principal or payment of interest is contractually 90 days in arrears are generally presumed in default or impaired, unless the presumptions can be rebutted when reasonable and supportable information demonstrates that a more lagging default criterion is appropriate, such as reasons based on industry norms, seasonal fluctuations and non-credit related delays. 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.

Reconciliation of allowances for losses under IAS 39 and IFRS 9

Specific allowances for impaired instruments recognized under IAS 39 have generally been replaced by Stage 3 allowances for ECL under IFRS 9, while the collective allowances for non-impaired financial instruments have generally been replaced by Stage 1 and Stage 2 allowances for ECL under IFRS 9.

The following table reconciles the Company's closing allowances for credit and loan losses in accordance with IAS 39 at December 31, 2017 to the opening ECL allowances determined in accordance with IFRS 9 upon adoption on January 1, 2018:

Allowance on:	Dec. 31, 2017 under IAS 39	Remeasurement	Jan. 1, 2018 under IFRS 9
Finance receivables and loans	$ 2,129,000	$ (132,034)	**$ 1,996,966**
Managed receivables	$ 130,000	$ 10,000	**$ 140,000**

The allowance for losses on finance receivables and loans of $1,996,966 under IFRS 9 at January 1, 2018 comprised a Stage 1 allowance of $1,965,824 and a Stage 2 allowance of $31,142, while the allowance for losses on the guarantee of managed receivables of $140,000 comprised a Stage 1 allowance of $88,600 and a Stage 2 allowance of $51,400.

The overall reduction in allowances for losses of $122,034 upon adoption of IFRS 9 incorporated the re-estimate of allowance rates which are typically reviewed each reporting period based upon updated historic loss experience, current macro-economic factors and other forward-looking information. Changes in the carrying amounts of financial instruments that resulted from the adoption of IFRS 9 were recognized in the opening January 1, 2018 retained earnings. In the Company's case, however, there were no differences between the classification and carrying amounts of the financial instruments under IAS 39 and IFRS 9. The remeasurement of the allowances for ECL, net of tax, resulted in a credit to retained earnings of $87,164 and a debit to non-controlling interests in subsidiaries of $6,160 upon adoption of IFRS 9. Please refer to the consolidated statements of changes in equity on page 17.

Under IFRS 15, there was no material change in the way the Company accounts for revenue. Please refer to the Company's revenue recognition policy in note 3(c) below.

(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. ("Varion") 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 from the Company's asset-based financial services, including factoring and leasing, and is measured at the fair value of the consideration received. 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. Interest charged on finance receivables and loans to clients is recognized as revenue using the effective interest rate method. 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 Varion 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 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 factoring their receivables, providing asset-based loans and financing equipment leases. Finance receivables (namely, factored receivables and lease receivables) and loans to clients 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 to clients 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 finance 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) 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. If the carrying value of the goodwill exceeds its recoverable amount, the excess is charged against earnings in the period in which the impairment is determined.

(f) 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 determined reliably. 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 estimated 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 estimated 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 and referral 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.

(g) 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.

(h) Stock-based compensation

The Company accounts for SARs and 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 SARs and stock options on the grant date. Changes in the fair value of outstanding SARs are calculated at each reporting date, as well as at settlement date. The fair value of the awards is recorded in general and administrative expenses over the awards vesting period, or immediately if fully vested.

The Company's LTIP (note 11(g)) 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 awards, calculated at each reporting date, is recorded in general and administrative expenses over the awards' vesting period, with a corresponding liability established.

(i) Financial assets and liabilities

Financial assets and liabilities are recorded at amortized cost, with the exception of cash, derivative financial instruments, the SARs and LTIP 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 estimated reliably.

(j) Assets held for sale

Assets acquired or repossessed on realizing security on defaulted finance receivables and loans are held for sale and are stated at the lower of cost or recoverable amount (also referred to as "net realizable value").

(k) Future accounting policies

IFRS 16, Leases, will replace existing guidance on accounting for leases. The accounting treatment of leases by lessees will change fundamentally. 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 is effective for fiscal years beginning January 1, 2019. The Company has started analyzing the impact of adoption of IFRS 16. However, the final impact has not yet been determined.

4. Finance receivables and loans

	September 30, 2018	December 31, 2017	September 30, 2017
Factored receivables	**$ 121,642,781**	$ 96,852,291	$ 107,041,221
Loans to clients	**124,706,290**	105,950,408	105,578,132
Lease receivables	**57,382,386**	17,301,457	8,092,800
Finance receivables and loans, gross	**303,731,457**	220,104,156	220,712,153
Less allowance for losses	**4,163,000**	2,129,000	2,190,000
Finance receivables and loans, net	**$ 299,568,457**	$ 217,975,156	$ 218,522,153

Lease receivables comprise the net investment in leases by Varion and CapX as described in note 3(c). Lease receivables at September 30, 2018 are expected to be collected over a period of up to five years.

Interest income earned on finance receivables and loans during the three and nine months ended September 30, 2018 totalled $9,309,303 (2017 – $6,723,840) and $26,984,820 (2017 – $17,313,922), respectively.

The activity in the allowance for losses on finance receivables and loans account during the nine months ended September 30, 2018 and 2017 was as follows:

	Under IFRS 9 2018	Under IAS 39 2017
Allowance for losses at January 1 under IAS 39	**$ 2,129,000**	$ 1,516,000
Remeasurement on adoption of IFRS 9	**(132,034)**	—
Allowance for losses at January 1 under IFRS 9 (2017 under IAS 39)	**1,996,966**	1,516,000
Specific charge-off reclassified to allowance for losses	**35,000**	—
Provision for loan losses	**2,258,484**	2,879,421
Charge-offs	**(197,681)**	(2,208,246)
Recoveries	**52,292**	27,570
Foreign exchange adjustment	**17,939**	(24,745)
Allowance for losses at September 30	**$ 4,163,000**	$ 2,190,000

The allowance for losses on finance receivables and loans at September 30, 2018 comprised Stage 1 and Stage 2 allowances as follows:

	Stage 1	Stage 2	Total
Allowance for losses at Jan. 1, 2018 under IFRS 9	$1,965,824	$ 31,142	$1,996,966
Transfers from Stage 1 to Stage 2, net	(96,648)	96,648	—
Reserves expense* related to increase in allowance for losses	1,545,033	568,062	2,113,095
Specific charge-off reclassified to allowance for losses	35,000	—	35,000
Foreign exchange adjustment	16,550	1,389	17,939
Allowance for losses at September 30, 2018	$3,465,759	$ 697,241	$4,163,000

* a component of the provision for losses

There was no Stage 3 allowance for impaired finance receivables and loans at September 30, 2018 as such accounts are written down to the present value of their estimated net recoverable amounts.

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, 2018, the gross amount of these managed receivables was $59,888,360 (December 31, 2017 – $53,477,791; September 30, 2017 – $79,362,441). Fees from receivables management and credit protection services during the three and nine months ended September 30, 2018 totalled $818,771 (2017 – $904,751) and $2,075,646 (2017 – $2,525,608), respectively.

Management provides a collective allowance for losses on the guarantee of managed receivables, which represents the estimated fair value of the guarantees. 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 statement of financial position.

The activity in the allowance for losses on the guarantee of managed receivables account during nine months ended September 30, 2018 and 2017 was as follows:

	Under IFRS 9 2018	Under IAS 39 2017
Allowance for losses at January 1 under IAS 39	**$ 130,000**	$ 131,000
Remeasurement on adoption of IFRS 9	**10,000**	—
Allowance for losses at January 1 under IFRS 9 (2017 under IAS 39)	**140,000**	131,000
Provision for credit losses	**600,705**	208,324
Charge-offs	**(631,153)**	(165,439)
Recoveries	**448**	10,115
Allowance for losses at September 30	**$ 110,000**	$ 184,000

The allowance for losses on the guarantee of managed receivables at September 30, 2018 comprised Stage 1 and Stage 2 allowances as follows:

	Stage 1	Stage 2	Total
Allowance for losses at Jan. 1, 2018 under IFRS 9	$ 88,600	$ 51,400	$ 140,000
Reserves recovery* related to decrease in allowance for losses	(4,145)	(25,855)	(30,000)
Allowance for losses at September 30, 2018	$ 84,455	$ 25,545	$ 110,000

* 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 in the first nine months of 2018. There are no Stage 3 allowances as any outstanding claims for payment under the Company's guarantees of such accounts are accrued and included in accounts payable and other liabilities.

The nature of the Company's 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. These transactions are conducted on terms that are usual and customary to the Company's asset-based lending and factoring activities.The Company controls the credit risk associated with its finance receivables and loans and managed receivables in a variety of ways. For details of the Company's policies and procedures in this regard, please refer to note 17(a).

At September 30, 2018, the Company held cash collateral of $1,744,869 (December 31, 2017 – $1,645,691; September 30, 2017 – $1,591,372) to help reduce the risk of loss on certain of the Company's finance receivables and loans and managed receivables.

5. Assets held for sale

Assets held for sale and movements therein during the first nine months of 2018 and 2017 were as follows:

	2018	2017
Assets held for sale at January 1	**$ 71,882**	$ 1,215,656
Impairment charge	**(25,000)**	—
Assets held for sale at September 30	**$ 46,882**	$ 1,215,656

From time-to-time, the Company obtains title to or repossesses certain long-lived assets securing defaulted loans. These assets will be disposed as market conditions permit. The estimated net realizable value of the assets is based upon appraisals thereof.

6. Intangible assets

Intangible assets and movements therein during the nine months ended September 30, 2018 and 2017 were as follows:

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)
Net 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

2017	Existing customer contracts	Broker relationships	Total
Cost:			
January 1, 2017 and September 30, 2017	$ 1,179,097	$ 1,343,938	$ 2,523,035
Accumulated amortization:			
January 1, 2017	$ (940,921)	$ (595,396)	$ (1,536,317)
Amortization expense	(122,922)	(153,102)	(276,024)
September 30, 2017	$ (1,063,843)	$ (748,498)	$ (1,812,341)
Net book value:			
January 1, 2017	$ 238,176	$ 748,542	$ 986,718
September 30, 2017	$ 115,254	$ 595,440	$ 710,694

7. Goodwill

	2018	2017
Balance at January 1	$ 13,081,651	$ 3,173,777
BondIt Media Capital acquisition	—	3,056,518
Foreign exchange adjustment	300,223	(208,132)
Balance at September 30	$ 13,381,874	$ 6,022,163

Goodwill is tested for impairment annually. During 2017, the Company conducted an annual impairment review and determined there was no impairment to the carrying value of goodwill. 2018's impairment review will be conducted in the Company's fourth quarter unless impairment indicators arise earlier. At September 30, 2018 and December 31, 2017 goodwill of US$8,908,713 (September 30, 2017 – US$3,317,032) was carried in the Company's U.S. subsidiary and a foreign exchange adjustment is recognized each period-end when this balance is translated into Canadian dollars at the prevailing period-end exchange rate.

8. Bank Indebtedness

A revolving line of credit totalling $292 million has been established with a syndicate of six banks, bearing 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 finance receivables and loans to clients. At September 30, 2018, the amounts outstanding under the line of credit totalled $195,290,263 (amounts owing under previous lines: December 31, 2017 – $138,140,342; September 30, 2017 – $135,057,408). The Company was in compliance with all loan covenants under its bank lines of credit during the nine months ended September 30, 2018 and 2017.

9. Loan payable

A revolving line of credit totalling $12,908,000 (US$10,000,000) was established by BondIt Media Capital ("BondIt"), a subsidiary of AFIU, during 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, 2018, the amount outstanding under this line of credit totalled $5,333,117 (December 31, 2017 and September 30, 2017 – nil). The Company has been in compliance with all loan covenants under this line of credit since it was entered into.

10. Notes payable

Notes payable comprise unsecured short-term (due in less than one year) notes, as well as long-term notes (due after one year) which were entered into for a three-year term on August 1, 2018 and mature on July 31, 2021. The short-term notes comprise: (i) notes due on, or within a week of demand ($7,984,000); and (ii) numerous BondIt notes ($1,936,000) which are repayable on various dates the latest of which is by August 2, 2019. Notes payable are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties.

Interest on 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 up to 12%. The long-term notes carry a fixed interest rate of 7% with interest payable each calendar quarter-end.

Notes payable were as follows:

	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017
Short-term notes:			
Related parties	$ 7,521,559	$ 14,037,950	$ 13,280,066
Third parties	2,398,864	1,824,083	2,295,687
	9,920,423	15,862,033	15,575,753
Long-term notes:			
Related parties	12,140,800	—	—
	$ 22,061,223	$ 15,862,033	$ 15,575,753

Interest expense on the notes payable for the three and nine months ended September 30, 2018 and 2017 was as follows:

	Three months		Nine months	
	2018	2017	2018	2017
Related parties	$ 271,128	$ 76,047	$ 566,974	$ 211,615
Third parties	37,795	59,451	88,259	71,389
	$ 308,923	$ 135,498	$ 655,233	$ 283,004

11. Capital stock, contributed surplus, dividends, share appreciation rights, 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, 2018 and 2017 and December 31, 2017, there were no first preferred shares outstanding.

(b) Issued and outstanding

The Company's issued and outstanding common shares during the nine months ended September 30, 2018 and 2017 are set out in the consolidated statements of changes in equity.

(c) Contributed surplus

	2018	2017
Balance at January 1	**$ 297,825**	$ 195,704
Stock-based compensation expense related to stock option grants (note 11(f))	**19,645**	90,789
Balance at September 30	**$ 317,470**	$ 286,493

(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, 2018 dividends totalling $747,868 (2017 – $747,694) and $2,243,257 (2017 – $2,243,082) or $0.09 (2017 – $0.09) and $0.27 (2017 – $0.27), respectively, per common share were declared and paid.

On October 29, 2018, the Company declared a quarterly dividend of $0.09 per common share, payable December 3, 2018 to shareholders of record at the close of business on November 15, 2018.

(e) Share appreciation rights

The Company has established a SARs plan, whereby SARs are granted to directors and key managerial employees of the Company. The maximum number of SARs which may be granted in any fiscal year under the plan is 2.5% of the total number of issued and outstanding common shares of the Company at the time of grant. The SARs will have a strike price at the time of grant equal to the volume weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the ten days that the shares were traded immediately preceding the date of grant, or other ten-day trading period that the Company's Board may determine. Employees can sell part or all of their SARs after holding them for a minimum of 24 months. Each employee's SARs not sold to the Company will automatically be sold on the last business day on or preceding the fifth anniversary following such grant.

No SARs have been granted by the Company to directors or employees since 2011. No SARs were outstanding at September 30, 2018 and December 31, 2017. The Company's vested and outstanding SARs at September 30, 2017 were as follows:

Exercise price	Grant Date	Sept. 30, 2017
$6.03	July 28, 2009	7,500
$5.50	May 7, 2010	15,000
$7.95	May 4, 2011	45,000
		67,500

At September 30, 2017 the Company had accrued a liability of $109,875 in respect of the fair value of the outstanding SARs. At that date, only SARs held by the Company's directors remained outstanding. These were automatically sold to the Company on October 27, 2017 and no SARs were outstanding thereafter.

(f) 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 were as follows:

Exercise price	Grant Date	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017
$9.56	October 28, 2015	**80,000**	100,000	100,000
$9.28	July 27, 2016	**80,000**	100,000	100,000
Outstanding		**160,000**	200,000	200,000
Earned and exercisable		**160,000**	150,000	100,000

A director, who resigned on June 30, 2018, did not exercise his options within the required 60 day period after he ceased to be a director. Accordingly, his 40,000 options expired on August 29, 2018.

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

(g) 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.

(h) Stock-based compensation

During the three months ended September 30, 2018, the Company recorded a stock-based compensation expense of $46,439 (2017 – $57,429), of which $43,636 (2017 – $36,000) was in respect of LTIP awards and $2,803 (2017 – $22,779) was in respect of NEDSOP grants, while there was no expense in respect of SARs grants (2017 – recovery $1,350). For the nine months ended September 30, 2018, the Company recorded a stock-based compensation expense of $224,989 (2017 – $164,289), of which $205,344 (2017 – $87,000) was in respect of LTIP awards and $19,645 (2017 – $90,789) was in respect of NEDSOP grants, while there was no expense in respect of SARs grants (2017 – recovery $13,500).

12. 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 period 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 period, which in the Company's case consists entirely of stock options.

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

	Three months		Nine months	
	2018	**2017**	**2018**	**2017**
Basic weighted average number of common shares outstanding	**8,309,642**	8,307,713	**8,308,570**	8,307,713
Effect of dilutive stock options	**2,181**	—	**727**	—
Dilutive weighted average number of common shares outstanding	**8,311,823**	8,307,713	**8,309,297**	8,307,713

Certain outstanding options were excluded from the calculation of diluted shares outstanding in the three and nine months ended September 30, 2018 because they were considered to be anti-dilutive for earnings per common share purposes, while for the three and nine months ended September 30, 2017 all outstanding options were excluded for the same reason. Details of outstanding options are set out in note 11(f).

13. 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, 2018 and 2017, 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, 2018 the Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $486,818 (December 31, 2017 – $1,018,475; September 30, 2017 – $1,022,198). In addition, at September 30, 2018 the Company was contingently liable with respect to letters of guarantee issued on behalf of its clients in the amount of $12,908 (December 31, 2017 – $12,545; September 30, 2017 – $12,480).

These amounts were considered in determining the allowance for losses on finance receivables and loans.

14. 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, 2018 and 2017 are set out in the consolidated statements of changes in equity.

15. 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.

16. 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 2018. For additions to the goodwill which was acquired as part of the BondIt purchase on July 1, 2017 and is part of the U.S. operations, please refer to note 7.

Three months ended September 30	**2018**				**2017**			
(in thousands)	**Canada**	**United States**	**Inter-company**	**Total**	**Canada**	**United States**	**Inter-company**	**Total**
Identifiable assets	**$ 158,936**	**$ 172,096**	**$ (5,701)**	**$ 325,331**	$ 145,748	$ 90,338	$ —	$ 236,086
Revenue	**$ 6,354**	**$ 6,817**	**$ (51)**	**$ 13,120**	$ 5,610	$ 2,760	$ —	$ 8,370
Expenses								
Interest	**2,346**	**360**	**(51)**	**2,655**	967	101	—	1,068
General and administrative	**2,655**	**3,155**	**—**	**5,810**	2,487	1,475	—	3,962
Provision for credit and loan losses	**313**	**921**	**—**	**1,234**	541	240	—	781
Depreciation	**38**	**24**	**—**	**62**	30	9	—	39
Business acquisition expenses	**69**	**185**	**—**	**254**	92	110	—	202
	5,421	**4,645**	**(51)**	**10,015**	4,117	1,935	—	6,052
Earnings before income tax expense	**933**	**2,172**	**—**	**3,105**	1,493	825	—	2,318
Income tax expense	**258**	**16**	**—**	**274**	432	(118)	—	314
Net earnings	**$ 675**	**$ 2,156**	**$ —**	**$ 2,831**	$ 1,061	$ 943	$ —	$ 2,004
Net earnings attributable to non-controlling interests	**—**	**215**	**—**	**215**	—	21	—	21
Net earnings attributable to Accord shareholders	**$ 675**	**$ 1,941**	**$ —**	**$ 2,616**	$ 1,061	$ 922	$ —	$ 1,983

Nine months ended September 30	2018				2017			
(in thousands)	Canada	United States	Inter-company	Total	Canada	United States	Inter-company	Total
Identifiable assets	$ 158,936	$ 172,096	$ (5,701)	$ 325,331	$ 145,748	$ 90,338	$ —	$236,086
Revenue	$ 16,769	$ 17,302	$ (95)	$ 33,976	$ 14,756	$ 6,718	$ —	$ 21,474
Expenses								
Interest	5,561	646	(95)	6,112	2,248	192	—	2,440
General and administrative	8,128	8,803	—	16,931	7,396	4,444	—	11,840
Provision for credit and loan losses	1,111	1,748	—	2,859	1,335	1,733	—	3,088
Impairment of assets held for sale	25	—	—	25	—	—	—	—
Depreciation	101	59	—	160	87	31	—	118
Business acquisition expenses	209	576	—	785	276	110	—	386
	15,135	11,832	(95)	26,872	11,362	6,510	—	17,872
Earnings before income tax	1,634	5,470	—	7,104	3,394	208	—	3,602
Income tax expense (recovery)	473	(266)	—	207	975	(971)	—	4
Net earnings	$ 1,161	$ 5,736	$ —	$ 6,897	$ 2,419	$ 1,179	$ —	$ 3,598
Net earnings attributable to non-controlling interests	—	702	—	702	—	21	—	21
Net earnings attributable to Accord shareholders	$ 1,161	$ 5,034	$ —	$ 6,195	$ 2,419	$ 1,158	$ —	$ 3,577

17. 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 and managed receivables 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, including factoring and equipment leasing, 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. Typically, the Company takes title to the factored receivables and collateral security over the other assets that it lends against and does not lend on an unsecured basis. 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 businesses, media finance business, Canadian equipment finance business (Varion), 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 (US$500,000 for BondIt), the Company’s Chairman and Vice Chairman of its Board. Credit in excess of $2.5 million is also 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, the Company’s 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 term loans with payments usually spread out evenly over the term of the lease or loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, 2.1% were past due more than 60 days at September 30, 2018 (2017 – 2.4%). 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 a client rating system to assess 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. 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. 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 financial strength of its clients' customers is often more important than the financial strength of the clients themselves.

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 purchases. 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 also obtained as additional collateral for its equipment leases or loans.

In its 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, 2018, the Company had guaranteed accounts receivable in excess of $5 million for one customer.

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

	September 30, 2018		September 30, 2017	
Industrial Sector (in thousands)	Gross finance receivables and loans	% of total	Gross finance receivables and loans	% of total
Manufacturing	**$ 63,676**	**21**	$ 38,779	18
Financial services	**59,317**	**20**	47,252	21
Wholesale and distribution	**40,508**	**13**	43,022	20
Professional Services	**36,430**	**12**	26,520	12
Retail	**27,542**	**9**	29,348	13
Construction	**22,130**	**7**	—	—
Transportation	**17,874**	**6**	5,137	2
Media	**14,016**	**5**	7,867	4
Other	**22,238**	**7**	22,787	10
	$ 303,731	**100**	$ 220,712	100

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

	September 30, 2018		September 30, 2017	
Industrial Sector (in thousands)	Managed receivables	% of total	Managed receivables	% of total
Retail	**$ 45,584**	**76**	$ 68,776	87
Engineering	**7,686**	**13**	1,503	2
Wholesale and distribution	**6,618**	**11**	9,083	11
	$ 59,888	**100**	$ 79,362	100

As set out in notes 3(a) and 4, the Company maintains an allowance for credit and loan losses on its finance receivables and loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of these 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

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, due to clients, and accounts payable and other liabilities. Revolving credit lines totalling approximately $305,000,000 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, 2018, the Company had borrowed $200,623,380 (December 31, 2017 – $138,140,342; September 30, 2017 – $135,057,408) 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 lines of credit during the nine months ended September 30, 2018 and 2017. Notes payable of $7,984,223 are due on, or within a week of, demand, while BondIt notes totalling $1,936,200 are repayable at various dates the latest of which is on August 2, 2019. Long-term notes of $12,140,800 entered into on August 1, 2018 mature on July 31, 2021 (see note 10). Notes payable are due to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. As at September 30, 2018, 89% of notes payable were due to related parties and 11% to third parties. 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, 2018, the Company had gross finance receivables and loans totalling $303,731,457 (December 31, 2017 – $220,104,156; September 30, 2017 – $220,712,153) which substantially exceeded its total liabilities of $239,240,878 at that date (December 31, 2017 – $170,887,298; September 30, 2017 – $158,287,786). 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.

All assets and liabilities, other than the Company’s lease receivables and equipment loans, capital assets, deferred tax, intangible assets, goodwill, the LTIP liability and long-term notes payable are expected to be settled within 12 months at the carrying values stated in the consolidated statements of financial position.

(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 operations have some assets and liabilities denominated in foreign currencies, principally finance receivables and loans, cash, bank indebtedness, loan payable, 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, 2018, the Company's unhedged foreign currency positions totalled $368,000 (December 31, 2017 – $208,000; September 30, 2017 – $460,000). The Company ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a 1% change in the value of its unhedged foreign currency positions 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 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 finance receivables and loans currently 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 Varion and CapX’s lease receivables and term equipment loans to clients are usually at fixed effective interest rates for up to five years, while related bank borrowings are currently at floating rates. The Company also recently entered into long-term notes payable which mature on July 31, 2021 (see note 10). It is expected the Company will deploy interest rate hedges in the near future where certain bank borrowings or other debt is matched up with the lease receivables and term loan maturities in our equipment finance businesses.

The following table shows the interest rate sensitivity gap at September 30, 2018:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	4 to 5 years	Non-rate sensitive	Total
Assets:						
Cash	$ 3,059	$ —	$ —	$ —	$ 1,986	**$ 5,045**
Finance receivables and loans, net	218,110	26,325	39,257	19,646	(3,770)	**299,568**
All other assets	—	412	—	—	20,306	**20,718**
	221,169	26,737	39,257	19,646	18,522	**325,331**
Liabilities:						
Due to clients	—	—	—	—	3,224	**3,224**
Bank indebtedness	71,317	126,286	—	—	(2,313)	**195,290**
Loan payable	5,333	—	—	—	—	**5,333**
Notes payable	7,984	1,936	12,141	—	—	**22,061**
All other liabilities	—	210	—	—	13,123	**13,333**
Equity	—	—	—	—	86,090	**86,090**
	84,634	128,432	12,141	—	100,124	**325,331**
	$136,535	$ (101,695)	$ 27,116	$ 19,646	$ (81,602)	**$ —**

Based on the Company's interest rate positions as at September 30, 2018, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $350,000 over a one year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

18. Capital disclosure

The Company considers its capital structure to include equity and debt, namely, its bank indebtedness, loan payable and notes payable. 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 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. As a percentage, these ratios were 259% (December 31, 2017 – 193%; September 30, 2017 – 194%) and 26% (December 31, 2017 – 32%; September 30, 2017 – 33%), respectively, at September 30, 2018 indicating the Company's continued financial strength and relatively low degree of leverage. 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, 2018, the Company is required to maintain a debt to TNW ratio of less than 3.5 on its syndicated bank facility. BondIt, which entered into a loan facility with a non-bank lender, is required to maintain a TNW of US$5,000,000. The Company was fully compliant with its credit facility covenants during the nine months ended September 30, 2018 and 2017. There were no changes in the Company's approach to capital management from previous periods.

19. Subsequent events

At October 29, 2018, there were no subsequent events occurring after September 30, 2018 that required disclosure or adjustments to the financial statements.

Toronto (800) 967-0015
Montreal (800) 231-2977
Vancouver (844) 982-3010
In the U.S. (800) 231-2757

www.accordfinancial.com