ACCORD FINANCIAL

Strength | Stability | Continuity

First Quarter Report 2023

Strong & Stable Financing Solutions from Accord

Asset-based Lending

Accord's asset-based lending serves companies of all sizes across North America. Our flexible ABL solutions allow clients to unlock working capital from their accounts receivable, inventory and equipment. Accord also provides financing solutions to other lending companies, enabling them to grow more quickly than they would with traditional funding. Forty-five year of superior service combined with exceptional financial strength makes us the most reliable finance partner for companies positioning for their next phase of growth.

Factoring

Accord has been factoring small- and medium-sized companies for more than forty years. Factoring – buying clients' accounts receivable – accelerates cash flow by unlocking the value of receivables for cash. In addition to improving liquidity, factoring also saves management time often tied up with cash flow planning, credit analysis and collections. Our experienced team has worked with companies in virtually every industry, which allows us to provide quick credit approvals for companies in transition or shifting into growth mode.

Small Business Finance

Accord provides a variety of financing solutions for Canadian small businesses, including equipment leasing and flexible working capital facilities. Under the AccordExpress banner, we offer a range of innovative programs designed with a streamlined approval process and fast funding. These programs deliver up to $250,000 of working capital, and up to $1 million when backed by receivables or equipment collateral, all with flexible terms designed to spur growth in 2023.

Equipment Financing

Accord finances equipment for small and middle market businesses, serving a broad base of North America's most dynamic industries, from forestry and energy, to construction and manufacturing. We're equally comfortable financing incremental capex or business expansion, or refinancing existing assets to optimize balance sheet strength. Our success has been built on our commitment to supporting private equity sponsors, finance professionals and SMEs directly.

Media Finance

Accord provides media finance through affiliate BondIt Media Capital, a world renowned film, television and media financier founded in 2014. Since inception, BondIt has provided debt financing to more than 500 feature film and television productions ranging from micro-budgets to studio level projects. Based in Santa Monica, BondIt is a flexible financing partner for projects, producers and media companies alike.

International Trade Services

Since 1978, Accord has been a leader in cross-border trade services. Our alliance with Factors Chain International provides North American credit and collection services to a network of more than 265 banks and trade firms in 75 countries worldwide. Our expert knowledge of U.S. and Canadian buyers allows foreign banks to finance clients' export receivables while minimizing collection risk.

ACCORD FINANCIAL CORP.

MESSAGE FROM THE PRESIDENT AND CEO

Enclosed are the financial statements, as well as Management's Discussion and Analysis, for the quarter ended March 31, 2023 together with comparative figures for the same period of 2022. These financial statements have not been reviewed by the Company's auditors, but have been reviewed and approved by its Audit Committee and Board of Directors.

Turning the page from a challenging 2022 we are 100% focused on building back to the record performance in 2021. The first quarter reflected a strong earnings rebound from fiscal 2022, with earnings per common share ("EPS") coming in at 24 cents, eclipsing EPS of 17 cents for all of 2022. While not back to where Accord was prior to 2022, it's a firm step in the right direction.

As I've written before, the rapid change in business conditions through 2022 created challenges within our core markets and headwinds to growth and earnings. Inflation and rising interest rates hampered financial performance for small and medium sized businesses across many industries, and Accord's operating companies faced related challenges, including a weaker credit environment, and in many sectors, weaker deal flow.

We see signs that the tide is starting to turn; the economic environment is beginning to provide the ingredients for increasing growth and earnings. Economic uncertainty often leads the major banks to restrict their lending appetite, which provides opportunities for Accord as our lending expertise, and reliance on strong collateral, allows us to finance companies that may no longer meet the banks' criteria. While the portfolio remained flat in the first quarter, new business inquiries and activity across all of our operating companies is building.

Accord's finance receivables and loans declined slightly over the quarter to $450 million at March 31, 2023. Revenue remained steady to start the year, at $18.4 million for the quarter, flat to the fourth quarter and up 14% compared to $16.2 million in the first quarter last year. Net earnings attributable to shareholders were $2.0 million in the quarter, down from $3.1 million in the same quarter last year, and up from the $3.7 million loss in the fourth quarter of 2022. Book value per common share rose to $11.96, up from $11.75 on March 31, 2022, and $11.80 at the start of the year.

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MESSAGE FROM THE PRESIDENT AND CEO

Earnings, on a year-over-year basis, have been hampered to some extent by the increase in Accord's interest expense. In some of our segments, notably media finance, market forces hindered the Company from passing through increased interest costs, and in some cases term assets are not matched perfectly with term debt. We continue to work on a number of strategies to address this headwind.

While the uncertain economic environment is beginning to spur new business activity, it also creates challenges for certain businesses in the portfolio. In this context the Company continues to carry a significant allowance for expected credit losses on the balance sheet: $7.4 million at March 31, 2023 compared to $5.1 million a year earlier.

Accord's founders and investors have shown strong support throughout this period, reflected in an equity base of over $100 million. The Company also enjoys support from a syndicate of six major banks, providing a debt facility of up to $437 million through July of 2025. In anticipation of renewed growth, the Company is evaluating a range of options to increase its available capital, including both private and public channels. This is consistent with other similar companies, whereby funds are raised publicly, privately, through forward-flow and/or asset management structures, or a combination of these and other strategies.

The theme of this quarterly report is: Strength / Stability / Continuity. For forty-five years Accord has successfully navigated through multiple economic cycles, giving us valuable perspective as the current environment unfolds. With the strength of our past, now focused on the future, Accord is poised to unlock potential for our investors in the year ahead.

On May 3rd the Board of Directors declared a quarterly dividend of $0.075 per share, payable June 1, 2023, to shareholders of record at the close of business May 15, 2023.

Simon Hitzig

President & Chief Executive Officer

May 5, 2023

ACCORD FINANCIAL CORP.

FINANCIAL HIGHLIGHTS

(unaudited, in thousands except average funds employed, earnings per common share, adjusted earnings per common share and book value per common share)

	Quarter ended March 31, **2023**		2022
Average funds employed (millions)	**$**	**451**	$ 457
Revenue		**18,444**	16,178
Earnings before income tax		**1,363**	3,614
Net earnings attributable to shareholders		**2,017**	3,138
Adjusted net earnings		**2,156**	3,195
Earnings per common share (basic and diluted)		**0.24**	0.37
Adjusted earnings per common share (basic and diluted)		**0.25**	0.37
Book value per common share (March 31)		**11.96**	11.75

OVERVIEW

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter ended March 31, 2023, compared with the quarter ended March 31, 2022, and, where presented, the quarter ended March 31, 2021. 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 May 5, 2023, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarter ended March 31, 2023 and 2022, which are included as part of this 2023 First Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2022 audited consolidated financial statements and notes thereto included in the Company's 2022 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 and elsewhere in the Company's 2023 First Quarter Report are defined as follows:

i) **Return on average equity ("ROE")** – this is a profitability measure that presents net earnings attributable to shareholders ("shareholders' net earnings") as an annualized percentage of the average shareholders' equity employed in the period to earn the income. The Company includes all components of shareholders' equity, as shown on the Company's consolidated statements of financial position, calculated on a month-by-month basis 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 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 (see note 16 to the Statements), while adjusted ROE is adjusted net earnings for the period expressed as an annualized percentage of the average shareholders' equity employed in the period;

iii) **Book value per share** – book value is defined as shareholders' equity, as shown on the Company's consolidated statements of financial position, 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, or shareholders' equity, divided by the number of common shares outstanding as of a particular date;

iv) **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 on a month-by-month basis, over a particular period; and

v) **Financial condition and leverage ratios** – The table on page 16 presents the following percentages: (i) total equity expressed as a percentage of total assets; (ii) tangible equity (total equity less goodwill and intangible assets) expressed as a percentage of total assets; (as of March 31, 2023 the Company no longer deducts deferred taxes from tangible equity, as they are not considered intangible assets or liabilities. Prior periods in the table have been adjusted for comparability.) and (iii) debt (bank indebtedness, loans payable, notes payable and convertible debentures) expressed as a percentage of total equity. These percentages provide information on trends in the Company's financial condition and leverage.

ACCORD'S BUSINESS

Accord is one of North America's leading independent finance companies serving clients throughout the United States and Canada. Accord's flexible finance programs cover the full spectrum of asset-based lending ("ABL"), from receivables and inventory finance, equipment and trade finance, working capital finance, as well as film and media finance. Accord's business also includes credit protection and receivables management. Its clients operate in a wide variety of industries, examples of which are set out in note 23(a) to the Statements.

The Company, founded in 1978, operates six finance businesses in North America, namely, Accord Financial Inc. ("AFIC"), Accord Financial Canada Corp. ("AFCC") and Accord Financial Ltd. ("AFL") in Canada, and Accord Financial, Inc. ("AFIU"), BondIt Media Capital ("BondIt") and Accord CapX LLC (doing business as Accord Equipment Finance ("AEF")), in the United States. Some sections of this report present Accord's businesses as cash-generating units ("CGU"), which is simply an aggregation of subsidiaries according to their country of operation.

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 AEF and AFCC. AFCC also provides working capital financing to small businesses through its Accord Small Business Finance ("ASBF") subsidiary; (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.

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QUARTERLY FINANCIAL INFORMATION

(unaudited, in thousands except earnings (loss) per share)

	Quarter ended	Revenue	Shareholders' net earnings (loss)	Earnings (loss) per share*
2023	**March 31**	**$ 18,444**	**$ 2,017**	**$ 0.24**
2022	December 31	$ 18,371	$ (3,664)	$ (0.43)
	September 30	16,452	1,831	0.21
	June 30	16,490	123	0.01
	March 31	16,178	3,138	0.37
Fiscal 2022 **		$ 67,491	$ 1,428**	$ 0.16
2021	December 31	$ 18,465	$ 3,573	$ 0.42
	September 30	16,119	2,643	0.31
	June 30	15,416	3,085	0.36
	March 31	13,480	2,585	0.30
Fiscal 2021 **		$ 63,480	$ 11,886	$ 1.39

** basic and diluted*

*** due to rounding the total of the four quarters does not equal the fiscal year total*

RESULTS OF OPERATIONS

Quarter ended March 31, 2023 compared with the quarter ended March 31, 2022

Shareholders' net earnings for the quarter ended March 31, 2023 were $2,017,000, which was 35% lower than the $3,138,000 earned last year. Shareholders' net earnings declined compared to the first quarter of 2022 primarily as a result of significantly higher interest expense and to a lesser extent higher general and administrative expenses ("G&A"). Basic and diluted earnings per common share ("EPS") decreased to 24 cents compared to the 37 cents earned in the first quarter of 2022.

Revenue rose by 14% or $2,266,000 to $18,444,000 in the first quarter of 2023 compared to $16,178,000 in the first quarter of last year. Interest income rose by $1,988,000 or 14% to $16,142,000 compared to $14,154,000 last year on lower average funds employed and higher average yields. Other income rose by $279,000 to $2,302,000 compared to $2,023,000 in last year's first quarter. Average funds employed in the first quarter of 2023 declined by 3% to $451 million compared to $457 million last year.

Total expenses increased by 36% or $4,517,000 to $17,081,000 in the first quarter of 2023 from $12,564,000 last year. Interest expense of $7,913,000 was 59% higher than the $4,987,0000 in the first quarter of 2022, primarily due to higher interest rates and to a lesser extent higher average bank indebtedness. G&A expenses are comprised of personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, professional fees, information technology expenses and general overhead. G&A increased by $1,220,000 in the current quarter compared to last year mainly due to the costs associated with additional personnel in business development and portfolio servicing hired during 2022. The Company continues to manage its controllable expenses closely.

The provision for credit losses increased by $373,000 to $466,000 compared to $93,000 last year. The provision for expected credit losses comprised:

Quarter ended March 31 (in thousands)	**2023**	2022
Net write-offs	**$ 1,244**	$ 209
Decrease in allowance for expected credit losses	**(778)**	(116)
Total provision for expected credit losses	**$ 466**	$ 93

Net write-offs increased by $1,035,000 to $1,244,000 in the first quarter of 2023 compared to $209,000 last year. The majority of the write-offs in the first quarter related to the small business loan portfolio at AFCC and are in line with management expectations. The non-cash allowance for expected credit losses decreased by $662,000 to $778,000 compared to a reduction of the allowance for expected credit losses of $116,000 last year. The Company's allowances for expected credit losses and its portfolio of Loans and managed receivables are discussed in detail below and in the Statements. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies or one-off losses.

There were no impairment charges taken in the first quarter of 2023 (2022 – $nil) against assets held for sale. Depreciation expense decreased by $4,000 to $153,000 (2022 - $157,000) in the first quarter of 2023. Depreciation of $113,000 (2022 – $117,000) was charged on the Company's right-of-use assets in the first quarter of 2023, while the balance of the expense related to capital assets. Business acquisition expenses in the first quarter of 2023 totalled $34,000 (2022 – $32,000).

Income tax expense decreased by $995,000 to a recovery of $547,000 in the current quarter compared to an expense of $448,000 last year as pre-tax earnings decreased by $2,251,000.

Canadian operations reported a decrease in shareholders' net earnings (loss) in the first quarter of 2023 compared to 2022 (see note 22 to the Statements). Shareholders' net earnings decreased by $1,354,000 to a loss of $206,000 compared to earnings of $1,148,000 last year. Revenue increased by $2,198,000 or 23% to $11,604,000. Expenses increased by $4,119,000 or 53% to $11,934,000. Interest expense, provision for expected credit losses and G&A increased by $2,419,000, $1,109,000, and $588,000, respectively. Depreciation increased by $3,000. Income tax expense decreased by $567,000 to a recovery of $124,000.

U.S. operations reported a slight increase in shareholders' net earnings in the first quarter of 2023 compared to 2022 (see note 22 to the Statements). Shareholders' net earnings increased by $233,000 to $2,223,000 compared to $1,990,000 last year.

Revenue increased by $74,000 to $7,017,000. Expenses increased by $404,000 or 8% to $5,324,000. G&A expenses increased by $633,000 and depreciation expense decreased by $8,000.

The provision for expected credit losses decreased by $736,000, while interest expense increased by $513,000. Income tax expense decreased by $428,000 to a recovery of $423,000. Net loss attributable to non-controlling interests in subsidiaries increased a loss of $107,000 compared to net earnings of $28,000 in the first quarter of 2022.

REVIEW OF FINANCIAL POSITION

Shareholders' equity at March 31, 2023 was $102,357,000, slightly higher than the $100,972,000 at December 31, 2022 and the $100,581,000 at March 31, 2022. The increase in shareholders' equity since December 31, 2022 mainly resulted from a rise in retained earnings. Book value per common share was $11.96 at March 31, 2023 compared to $11.80 at December 31, 2022 and $11.75 at March 31, 2022. Please also see the consolidated statements of changes in equity on page 33 of this First Quarter Report.

Total assets were $489,224,000 at March 31, 2023, relatively flat to the $491,761,000 at December 31, 2022 and the $486,504,000 at March 31, 2022. Total assets largely comprised Loans.. Excluding inter-company loans, identifiable assets located in the United States were 41% of total assets at March 31, 2023 compared to 48% at December 31, 2022 and 47% at March 31, 2022 (see note 22 to the Statements).

Gross finance receivables and loans, before the allowance for losses thereon, were $450,258,000 at March 31, 2023 compared to $452,678,000 at December 31, 2022 and were slightly lower than the $453,824,000 at March 31, 2022. As detailed in note 5 to the Statements, the Company's Loans comprised:

(in thousands)	**March 31, 2023**	Dec. 31, 2022	March 31, 2022
Working capital loans	**$ 131,447**	$ 121,979	$ 109,922
Inventory & equipment loans	**81,451**	90,970	95,782
Receivable loans	**93,993**	86,788	94,600
Media loans	**88,250**	87,770	83,524
Lease receivables	**55,117**	65,171	69,996
Finance receivables and loans, gross	**450,258**	452,678	453,824
Less allowance for expected credit losses	**7,440**	8,220	5,103
Finance receivables and loans, net	**$ 442,818**	$ 444,458	$ 448,721

Net of the allowance for expected credit losses, Loans remained relatively flat at $442,818,000 at March 31, 2023 compared to $444,458,000 at December 31, 2022 and were relatively flat to the $448,721,000 at March 31, 2022.

The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 40 clients in a wide variety of industries, as well as AFCC's and AEF's lease receivables and equipment and working capital loans to approximately 975 clients and BondIt's media finance loans to approximately 60 media productions. The largest client in a well-diversified loan portfolio comprised 3% of gross Loans at March 31, 2023.

In its credit protection and receivables management business, the Company contracts with clients to assume the credit risk associated with respect to their receivables without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These managed receivables totalled $5 million at March 31, 2023 compared to $5 million at December 31, 2022 and $12 million at March 31, 2022. The Company made the decision to downsize its credit protection and receivables management operations in 2022. Most of the clients' customers for which the Company assumes the credit risk are from the wholesale and distribution industry in North America. The Company monitors the credit risk related to its managed receivables very closely.

The Company's total portfolio, which is comprised of Loans and managed receivables, as detailed above, declined to $455 million at March 31, 2023 compared to $458 million at December 31, 2022 and was 2.4% lower than the balance at March 31, 2022 of $466 million.

As described in note 23(a) to the Statements, the Company's business principally involves providing financing or assuming the credit risk on accounts receivable of its clients, as well as providing financing for inventory, equipment, and media productions. The Company, through its subsidiary AFCC, also provides working capital term loans.

Credit approval for transactions supported by management in the Company's six operating businesses is delegated to a staff of senior credit officers. Transactions in excess of $1.0 million (U.S. $1.0 million for U.S. Group companies), are approved by the Company's SVP, Underwriting and Portfolio Risk in consultation with the Corporate Credit Committee. Transactions in excess of $2.5 million (U.S. $2.5 million in the case of U.S. group companies) are approved by the Credit Committee of the Board of Directors, which comprises three members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal mechanisms and, accordingly, believes that it has appropriate procedures in place for evaluating and limiting the credit risks to which it is subject. Credit risk is subject to ongoing management review. Nevertheless, for a variety of reasons, there will be defaults by clients or their customers.

For its factoring products, the Company's primary focus is 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.

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 older receivables. Asset-based lending products additionally require focus on the performance of other collateral types (inventory, equipment and in certain cases real estate) as well as the underlying cash flows of the borrower.

AFCC's and AEF's lease receivables and equipment and working capital loans are usually structured as term loans with payments spread out evenly over the term of the lease or loan, with terms up to 60 months. AFCC also has a revolving equipment loan product which has no fixed repayment terms and can be repaid at any time.

The Company uses a credit risk rating system for assessing obligor and transaction risk for receivables and loan exposures. Risk rating models use internal and external data to assess and assign credit ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. The credit rating of the borrower is used (in addition to other criteria) to assess the predicted credit risk for each initial credit approval or significant account management action. Credit ratings enhance credit decision quality, accelerate adjudication time frames and ensure consistency in the credit decision process while also facilitating risk-based pricing. In the Company's credit protection business, it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Please see note 5 to the Statements which presents tables summarizing the Company's finance receivables and loans, and managed receivables, by the three stage credit criteria of IFRS 9, Financial Instruments ("IFRS 9"), as well as an aged analysis thereof. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of good quality and any inventory, equipment or other assets securing loans are appropriately appraised. Collateral is monitored and managed on an on-going basis to mitigate credit risk. In its asset-based lending and equipment finance operations, the Company assesses the financial strength of its clients and its clients' customers and the industries in which they operate on a regular and ongoing basis. Cash flows from a client's ongoing business operations represent the primary source of repayment.

The Company also manages credit risk by limiting the maximum amount that it will lend to any one client, enforcing advance rates, disallowing certain types of receivables as acceptable collateral, applying concentration limits, charging back or making receivables ineligible for lending purposes as they reach certain age parameters, and taking cash collateral. The Company also confirms the validity of the receivables that it purchases or lends against. In its factoring operations, the Company administers and collects the majority of its clients' receivables allowing it to quickly identify problems as and when they arise and act promptly to minimize credit losses. In the Company's Canadian small business finance operations, AFCC, security deposits are usually obtained in respect of equipment leases or loans, while a majority of ASBF's working capital loans have the benefit of a strong financial guarantor guaranteeing up to 80% of the loan balance in the event of a loss.

As detailed in note 5 to the Statements, the Company had past due finance receivables and loans of $40,800,000 at March 31, 2023, of which $23,244,000 related to BondIt, the Company's media finance subsidiary, while $13,291,000 related to AFCC and $2,435,000 to AEF. Repayment of BondIt's loans are often delayed for non-credit related reasons such as production delays. $58,249,000 or 13% of total finance receivables and loans, are considered to have had a SICR, of which $27,314,000 are related to AFCC, and $24,359,000 are related to AFIC.

At December 31, 2022 finance receivables and loans that were considered to have had a SICR were $63,246,000 or 14.% and at March 31, 2022, that balance was $37,384,000 or 8.2% of total finance receivables and loans.

At March 31, 2023, the Company had impaired finance receivables and loans of $13,585,000 which represented 3.0% of total funds employed. The impaired loans, most of which have been written down to NRV (being fair value less costs of realization) where necessary, are mainly secured by receivables, inventory and equipment, the estimated NRV of which was $11,515,000 at March 31, 2023. As the vast majority of the Company's finance receivables and loans are secured, past due or impaired loans do not necessarily lead to a significant expected credit loss ("ECL"). Based on the NRV of the security, past due or impaired loans may be assigned a low or no loss given default ("LGD").

In the Company's credit protection business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. While these guarantees do not involve loans, as with the Company's lending businesses, all client and customer credit in excess of $2.5 million is approved by the Credit Committee of the Board on a case-by-case basis. Note 23(a) to the Statements provides details of the Company's credit exposure by industrial sector.

The Company maintains allowances for expected credit losses on its Loans and managed receivables, at amounts which, in management's judgement, are sufficient to cover expected credit losses thereon. The Company's allowance for expected losses on Loans, calculated under the ECL criteria of IFRS 9, totalled $7,427,500 at March 31, 2023 compared to $8,188,900 at December 31, 2022 and $5,103,000 at March 31, 2022. This represents management's best estimate of expected credit losses based on information available at those dates. The economic impacts related to Covid-19 continue to affect the Company's loan portfolio to varying degrees and the measurement of the allowance could fluctuate substantially in future periods. The allowance for expected losses related to the guarantee of managed receivables totalled $13,233 at March 31, 2023, compared to $31,000 at December 31, 2022, and March 31, 2022.

The activity in the allowance for expected credit losses accounts in the first three months of 2023 and 2022 is set out in note 5 to the Statements. The estimates of the allowances for expected credit losses involve judgment which management considers to be reasonable and supportable.

Assets held for sale totalled $648,000 at March 31, 2023 compared to $108,000 at December 31, 2022 and $160,000 at March 31, 2022 and comprised certain assets securing defaulted finance receivables and loans from a number of clients and repossessed long-lived assets. The increase compared to December 31, 2022, resulted from additions to assets repossessed of $540,000 during the first three months of 2023. These assets are currently being marketed for sale and will be disposed of as market conditions permit. There were no disposals of or impairment charges against assets held for sale in the first quarter of 2023. See note 7 to the Statements.

Cash decreased to $7,410,000 at March 31, 2023, compared to $11,630,000 at December 31, 2022 and $6,811,000 at March 31, 2022. The Company endeavors to minimize cash balances as much as possible to reduce bank indebtedness outstanding. Fluctuations in cash balances are normal.

Restricted cash comprises cash held as security for certain non-recourse borrowing. Restricted cash totalling 5% of the outstanding non-recourse loan balance is held in a separate cash reserve account maintained by the lender and is partially released as the loan balance is repaid. Further, cash receipts from the loan collateral securing the non-recourse borrowings are deposited into a cash collection account and can only be used to repay that debt. At March 31, 2023, restricted cash totalled $5,566,000 compared to $6,625,000 at December 31, 2022 and $7,486,000 at March 31, 2022. Please refer to note 4 to the Statements.

Intangible assets, net of accumulated amortization, totalled $3,165,000 at March 31, 2023 compared to $3,201,000 at December 31, 2022 and $3,049,000 at March 31, 2022. Intangible assets totalling US$2,885,000 were acquired upon the acquisition of AEF on October 27, 2017 and comprised customer and referral relationships and brand name. These assets are carried in the Company's U.S. subsidiary and are translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Customer and referral relationships are being amortized over a period of 15 years, while the acquired brand name is considered to have an indefinite life and is not amortized. Intangible assets comprising existing customer contracts and broker relationships were also acquired as part of the AFCC acquisition on January 31, 2014. These were amortized over a period of 5 to 7 years and were fully amortized in 2022. Please refer to note 10 to the Statements.

Goodwill totalled $12,067,000 at March 31, 2023 compared to $12,075,000 at December 31, 2022 and $13,023,000 at March 31, 2022. The decrease from December 31, 2022 is a result of the foreign currency translation while the decrease from March 31, 2022 is primarily a result of a $1,883,000 impairment loss recognized at December 31, 2022 against goodwill at the Company's Canadian operations. Goodwill of US$2,409,000 and US$5,538,000 was acquired on the acquisition of BondIt and AEF on July 1, 2017 and October 27, 2017, respectively. BondIt and AEF goodwill is carried in the Company's U.S. operations, together with US$962,000 from a much earlier acquisition. The Company performs an annual goodwill impairment test by estimating the fair value of each CGU based primarily on a multiple of recent actual and expected future earnings.

The goodwill in the Company's U.S. operations is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 9 to the Statements for information regarding the Company's annual goodwill impairment reviews.

Other assets increased by $2,969,000 to $8,026,000 at March 31, 2023 compared to $5,057,000 at December 31, 2022 and were $ 6,366,000 higher than the $1,659,000 at March 31, 2022. The largest component of other assets is prepaid expenses, which totalled $4,651,000 at March 31, 2023, an increase of $1,928,000, and $3,692,000 from December 31, 2022, and March 31, 2022, respectively. Other assets also includes amounts due from Export Development Canada which were $2,868,000 at March 31, 2023, an increase of $1,518,000, and $2,288,000 from December 31, 2022, and March 31, 2022, respectively.

Net deferred tax assets increased by $1,426,000 to $7,691,000 at March 31, 2023 compared to $6,265,000 at December 31, 2022 and were $3,795,000 higher than the $3,896,000 at March 31, 2022. Income taxes receivable and property and equipment at March 31, 2023 and 2022, and December 31, 2022 were not significant.

Total liabilities decreased by $3,810,000 to $381,339,000 at March 31, 2023 compared to $385,149,000 at December 31, 2022 but were $459,000 higher than the $380,880,000 at March 31, 2022. The decrease since December 31, 2022 mainly resulted from a decrease in loans payable, accounts payable and other liabilities.

Amounts due to clients decreased by $1,768,000 to $59,000 at March 31, 2023 compared to $1,827,000 at December 31, 2022 and were $1,653,000 lower than the $1,712,000 at March 31, 2022. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness increased by $11,882,000 to $225,937,000 at March 31, 2023 compared to $214,055,000 at December 31, 2022 and was $40,138,000 higher than the $185,799,000 at March 31, 2022. The Company's revolving credit facility has a maximum commitment of $436,500,000 and a contractual maturity date of July 26, 2025. Pricing for drawn amounts under the revolving credit facility are primarily based on bankers' acceptances plus a margin for Canadian dollar borrowings or the secured overnight financing rate ("SOFR") plus a margin for U.S. dollar borrowings. The margin is based on a measure of leverage at each quarter end. The Company's current bank facility is provided by a syndicate of six banks. The Company was in compliance with all loan covenants at March 31, 2023 and March 31, 2022. Subject to other debt borrowings, bank indebtedness principally fluctuates with the amount of funds employed.

Loans payable decreased to $98,160,000 at March 31, 2023 compared to $109,039,000 at December 31, 2022 and $137,992,000 at March 31, 2022. The decrease is primarily attributable to a decrease in a non-recourse loan provided by a life insurance company, as the collections on the working capital loans securing the loan are received and applied to the outstanding loan balance.

The non-recourse loan is collateralized by the majority of ASBF's assets and bears a fixed rate of interest of 3.55%. At March 31, 2023, the amount outstanding under this loan facility totalled $39,012,000 compared to $44,368,000 at December 31, 2022, and $78,529,000 at March 31, 2022. ASBF was in compliance with all loan covenants during the quarters ended March 31, 2023 and 2022. The facility used to finance BondIt's media loans has a maximum commitment of U.S. $47,000,000 ($63,662,000). Borrowings under the facility, which expires on May 31, 2024, decreased to $59,148,000 at March 31, 2023 compared to $64,671,000 at December 31, 2022 and $59,464,000 at March 31, 2022. BondIt was in compliance with all loan covenants thereunder during the quarters ended March 31, 2023 and 2022. See note 12(a) to the Statements.

Accounts payable and other liabilities decreased by $2,812,000 to $8,412,000 at March 31, 2023 compared to $11,224,000 at December 31, 2022 but were $231,000 higher than the $8,181,000 at March 31, 2022.

Notes payable increased by $379,000 to $18,984,000 at March 31, 2023 compared to $18,605,000 at December 31, 2022 and were $817,000 higher than the $18,167,000 at March 31, 2022. Please see Related Party Transactions section below and note 13(a) to the Statements.

Convertible debentures with a face value of $25,650,000 (25,650 convertible debentures of $1,000 each) were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading on the Toronto Stock Exchange ("TSX"), while 5,000 are unlisted. All convertible debentures are unsecured and carry a coupon rate of 7.0% with interest payable semi-annually on June 30 and December 31 each year. These debentures mature on December 31, 2023 and are convertible at the option of the holder into common shares at a conversion price of $13.50 per common share. Net of transaction costs and a $23,200 discount on the issue of certain debentures, a total of $23,781,000 was raised. Please see note 14 to the Statements, which details how the debt and equity components of the convertible debentures were allocated. At March 31, 2023, the debt component totalled $25,505,000 (December 31, 2022 – $24,864,000, March 31, 2022 – $24,775,000), while the equity component totalled $1,005,000 at March 31, 2023 and 2022 and December 31, 2022, net of deferred tax.

Income taxes payable decreased by $1,405,000 to $1,211,000 at March 31, 2023 compared to $2,616,000 at December 31, 2022 and were $1,098,000 lower than the $2,309,000 at March 31, 2022.

Deferred income increased by $274,000 to $1,556,000 at March 31, 2023 compared to $1,282,000 at December 31, 2022 and was $1,123,000 higher than the $433,000 at March 31, 2022. Lease liabilities were $1,385,000 at March 31, 2023, slightly lower than the $1,496,000 at December 31, 2022 and slightly higher than the $1,106,000 at March 31, 2022. Net deferred tax liabilities at March 31, 2023 and 2022, and December 31, 2022 were not material.

Capital stock totalled $9,448,000 at March 31, 2023 and 2022, and December 31, 2022. There were 8,558,913 common shares outstanding at those dates. Please see note 16(b) to the Statements and the consolidated statements of changes in equity on page 33 of this report for details of changes in capital stock during the first three months of 2023 and 2022. At the date of this MD&A, 8,558,913 common shares remained outstanding.

Contributed surplus totalled $1,728,000 at March 31, 2023 compared to $1,705,000 at December 31, 2022 and $1,109,000 at March 31, 2022. The increase since December 31, 2022 relates to the Company's stock options expense of $23,000 (2022 – $21,000). As noted above, included in contributed surplus is the equity component of the convertible debentures issued which totalled $1,005,000, net of deferred tax. Please see the consolidated statements of changes in equity on page 33 of this report for details of changes in contributed surplus during the first three months of 2023 and 2022.

Retained earnings increased by $1,375,000 to $83,534,000 at March 31, 2023 compared to $82,159,000 at December 31, 2022 and were $649,000 below the $84,183,000 at March 31, 2022. The increase in 2023 comprised shareholders' net earnings of $2,017,000 less the quarterly dividend of $642,000 (7.5 cents per common share) paid on March 1, 2023. Please see the consolidated statements of changes in equity on page 33 of this report for changes in retained earnings during the first three months of 2023 and 2022.

The Company's accumulated other comprehensive income ("AOCI") account solely comprises the cumulative unrealized foreign exchange gain (loss) arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance decreased to $7,647,000 at March 31, 2023 compared to $7,659,000 at December 31, 2022 but was higher than the $5,841,000 at March 31, 2022. Please refer to note 19 to the Statements and the consolidated statements of changes in equity on page 33 of this report, which details movements in the AOCI account during the first three months of 2023 and 2022.

Non-controlling interests in subsidiaries totalled $5,528,000 at March 31, 2023 compared to $5,640,000 at December 31, 2022 and $5,043,000 at March 31, 2022. Please see note 20 to the Statements for details thereof and the consolidated statement of changes in equity on page 33 of this report, which details movements in non-controlling interests during the first three months of 2023 and 2022.

LIQUIDITY AND CAPITAL RESOURCES

The Company considers its capital resources to include equity and debt, namely, its bank indebtedness, convertible debentures, loans 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. Among other things, the Company monitors the ratio of its debt to total equity and its total equity and tangible equity to total assets. These ratios are set out in the table below. The ratios indicate the Company's continued financial strength.

(as a percentage)	**March 31, 2023**	Dec. 31, 2022	March 31, 2022
Tangible equity / assets	**19**	19	18
Total equity / assets	**22**	22	22
Debt* / total equity	**3.42x**	3.44x	3.47x

** Bank indebtedness, loans payable, notes payable and convertible debentures*

The Company's financing and capital requirements generally increase as Loans outstanding increase. The collection period and resulting turnover of outstanding receivables and loans also impact financing needs. In addition to cash flow generated from operations, the Company maintains lines of credit in Canada and the United States. The Company can also raise funds through its notes payable program or raise other forms of debt, such as loans payable, subordinated debt, with or without equity features, or equity.

The Company had credit lines and loans payable totalling approximately $539 million at March 31, 2023 and had borrowed $324 million against these facilities. Funds generated through operating activities and the issuance of notes payable, loans payable or other forms of debt or equity decrease the usage of, and dependence on, these lines. Note 24(b) details the Company's financial assets and liabilities at March 31, 2023 by their maturity date.

As noted in the Review of Financial Position section above, the Company had cash balances of $7,410,000 at March 31, 2023 compared to $11,630,000 at December 31, 2022. At March 31, 2023, the Company also had restricted cash, which is held as collateral by a lender, totalling $5,566,000 compared to $6,625,000 at December 31, 2022. Cash balances are maintained at levels sufficient to support daily operations and surplus cash is used to repay bank indebtedness.

Management believes that cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet the cash requirements of working capital, capital expenditures, operating expenditures, interest and dividend payments and will provide sufficient liquidity and capital for future growth over the next twelve months. As certain components of capital mature over the next nine months, the Company will make changes to its capital structure designed to accommodate requirements for future liquidity and growth, which may in turn impact the Company's cost of capital.

Cash flow for the three months ended March 31, 2023 compared with the three months ended March 31, 2022

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments decreased to $2,600,000 in the first three months of 2023 compared to $3,894,000 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 $5,769,000 in the first three months of 2023 compared to an inflow of $20,420,000 last year. The net cash outflow in the first three months of 2023 largely resulted from repayments of accounts payables and other liabilities of $2,811,000. In the first three months of 2022, the net cash inflow largely resulted from repayments of Loans of $22,154,000. 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 34 of this report.

Cash outflows from investing activities totalled $48,000 (2022 – $27,000) in the first three months of 2023 and comprised property and equipment additions.

Net cash inflow from financing activities totalled $624,000 in the first three months of 2023 compared to an outflow of $29,790,000 last year. The net cash inflow this year resulted primarily from an increase in bank indebtedness of $11,882,000 offset by repayment of loans payable of $10,836,000, dividends paid of $642,000, and payment of lease liabilities of $160,000. In the first three months of 2022, the net cash outflow resulted from repayment of bank indebtedness of $19,882,000 and loans payable of $10,817,000, dividends paid of $642,000, the purchase of the remaining 8% of CapX LLC from non-controlling interests for $537,000 and payment of lease liabilities of $122,000. Partially offsetting this outflow was $2,2100,000, net, received from the issue of notes payable.

The effect of exchange rate changes on cash balances was a decrease of $87,000 in the first three months of 2023 compared to $455,000 in the first three months of 2022.

Overall, there was a net cash outflow of $5,279,000 in the first three months of 2023 compared to outflow of $9,852,000 in the first three months of 2022.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT MARCH 31, 2023

	Payments due in				
(in thousands)	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter	**Total**
Debt obligations	$ 276,526	$ 92,118	$	$ —	**$ 368,644**
Operating lease obligations	341	695	314	—	**1,350**
Purchase obligations	55	70	—	—	**125**
	$ 276,922	$ 92,883	$ 314	$ —	**$ 370,119**

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 totalled $18,984,000 at March 31, 2023 compared to $18,605,000 at December 31, 2022 and $18,167,000 at March 31, 2022.

Notes payable comprise: (i) unsecured demand notes due on, or within a week of, demand of $ 4,718,000 (December 31, 2022 – $4,717,000, March 31, 2022 – $4,541,000); and (ii) term notes totalling $14,266,000 (December 31, 2022 – $13,888,000, March 31, 2022 – $13,626,000), which are repayable on various dates the latest of which is July 31, 2025. Notes due on, or within a week of demand, bear interest at rates that vary with the bank prime rate, while the term notes bear interest at rates between 7.25% and 11%.

Of the notes payable, $16,407,000 (December 31, 2022 – $16,411,000, March 31, 2022 – $16,010,000) was owing to related parties and $2,577,000 (December 31, 2022 – $2,194,000, March 31, 2022 – $2,157,000) to third parties. Interest expense on these notes in the first three months of 2023 totalled $359,000 (2022 – $291,000). Please refer to note 13(a) to the Statements.

The following related parties had notes payable with the Company at March 31, 2023:

Demand notes payable	**Relationship**	
Hitzig Bros., Hargreaves & Co. Inc.*	Directors	$4,000,000
Hitzig Bros., Hargreaves & Co. LLC.*	Directors	US$1,000,000
Ken Hitzig	Director	$500,000
Term notes payable (due July 31, 2025)		
Hitzig Bros., Hargreaves & Co. Inc.*	Directors	$4,000,000
Oakwest Corporation Inc.	Director	$3,000,000
Ken Hitzig	Director	$2,500,000
Keewatin House Inc.		$1,000,000

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

Accord pays a rate of interest related to Canadian prime (at March 31, 2023 the rate was 6.70%) on its Canadian dollar unsecured demand notes payable. This interest rate is typically below the interest rate the Company pays on its primary revolving credit facility, agented by The Bank of Nova Scotia (“BNS”) resulting in interest savings to the Company.

Upon renewal of the BNS facility in July 2022, the Company renewed certain unsecured three-year term notes payable which had matured on July 31, 2022 for a further three-year term, expiring on July 31, 2025. These term notes, which pay a 7.25% rate of interest, are solely with related parties. The renewed revolving credit facility allows these notes to be treated as "quasi equity" and be included in the Company's tangible net worth ("TNW") for the purposes of leveraging its bank line (up to 4.0x TNW). This created additional borrowing capacity for the Company.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recorded at amortized cost, with the exception of derivative financial instruments and the guarantee of managed receivables which are all recorded at fair value. Financial assets and liabilities, other than the lease receivables and loans to clients in our equipment and small business finance operations, term loan payable and lease liabilities, are short term in nature and, therefore, their carrying values approximate fair values.

At March 31, 2023 and December 31, 2022, there were no outstanding foreign exchange contracts entered into by the Company.

CRITICAL ACCOUNTINGS 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 expected losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for expected 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, macroeconomic factors and forward-looking information ("FLI"). The key inputs in the measurement of ECL allowances for each loan 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. These key inputs associated with each loan are sensitized to future market and macroeconomic conditions through the incorporation of FLI. 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, or may result from severe adverse economic conditions as we have and are seeing as a result of Covid-19.

The Company's allowance for expected losses on its Loans and its guarantee of managed receivables are provided for under the three stage criteria set out in IFRS 9, where a Stage 1 allowance is established to reserve against accounts which have not experienced a significant increase in credit risk ("SICR") and which cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. Stage 1 ECL results from default events on the financial instrument that are possible within the twelve-month period after the reporting date. Stage 1 accounts are considered to be in good standing. The Company's Stage 2 allowances are based on a review of the loan or managed receivable and comprises an allowance for those financial instruments which have experienced a SICR since initial recognition. Lifetime ECL are recognized for all Stage 2 financial instruments. Stage 3 financial instruments are those that the Company has classified as impaired. The Company classifies a financial instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Lifetime ECL are recognized for all Stage 3 financial instruments. In Stage 3, financial instruments are written-off, either partially or in full, against the related allowance for expected credit losses when the Company judges that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net recoverable value. Any subsequent recoveries of amounts previously written-off are credited to the respective allowance for expected credit losses. Management believes that its allowances for expected credit losses, which require a high degree of reasonable and supportable credit judgment, 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(d), 5 and 23(a) to the Statements.

(ii) Goodwill is tested for impairment annually or more frequently if impairment indicators arise. To determine if goodwill is impaired, the Company estimates the fair value (being the recoverable amount) of each of its CGUs and compares this to the carrying value of the CGU. In the Company's case the estimated fair value of each CGU is determined to be a multiple of the expected earnings of the CGU, where expected earnings are an estimate of future years' earnings. This provides a similar result to extrapolating and discounting budgeted earnings for the CGUs. The estimated fair value of each CGU is then compared to the carrying value of the CGU, including goodwill, to determine if the goodwill is impaired. The most sensitive assumptions used in the impairment testing is the multiple applied to the expected earnings of each CGU in determining the fair value thereof, as well as the expected earnings estimates themselves.

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 Controls over Financial Reporting ("ICFR") are 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. The CEO, CFO and other members of management have assessed the design effective of the Company's DC&P and ICFR at March 31, 2023, and have concluded that the design of the Company's DC&P and ICFR were effective as of that date. During the three months ended March 31, 2023, there have been no significant changes to the Company's ICFR that would have or would be 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 24 to the Statements, which discuss the Company's principal financial risk management practices.

Deterioration in economic and business uncertainties

The Company's operating results may be negatively impacted by various economic factors and business conditions, including the level of economic activity in Canada and the United States, in the markets in which it operates. To the extent that economic activity or business conditions deteriorate, delinquencies and credit losses may increase. Negative conditions and/or significant events can include the effects of public health emergencies including pandemics, geo-political or military conflicts, sanctions and other trade disruptions, and unexpected changes in inflation and borrowing costs. As the Company extends credit primarily to small- and medium-sized businesses, many of its customers are particularly susceptible to economic slowdowns or recessions and may be unable to make scheduled lease or loan payments during these periods. Unfavorable economic conditions may make it more difficult for the Company to maintain new origination volumes and the credit quality of new loans at levels previously attained.

Unfavorable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities and other capital markets funding sources or result in a decision by the Company's lenders not to extend further credit. Any of these events could have a material adverse impact on the Company's business, financial conditions and results of operations.

Competition from alternative sources of financing

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

Because of all these competitive factors, the Company may be unable to sustain its operations at its current levels or generate growth in revenues or operating income, either of which could have a material adverse impact on the Company's business, financial condition and results of operations.

Credit risk, inability to underwrite finance receivables and loan applications

The Company is in the business of financing its clients' receivables and making asset-based loans, including inventory and equipment financings, designed to serve small- and medium-sized businesses, which are often owner-operated and have limited access to traditional financing. There is a high degree of risk associated with providing financing to such parties as a result of their lower creditworthiness. Even with an appropriately diversified lending business, operating results can be adversely affected by large bankruptcies and/or insolvencies. Losses from client loans in excess of the Company's expectations could have a material adverse impact on the Company's business, financial condition and results of operations. In addition, since defaulted loans as well as certain delinquent loans cannot be used as collateral under the Company's credit facilities, higher than anticipated defaults and delinquencies could adversely affect the Company's liquidity by reducing the amount of funding available to the Company under these financing arrangements.

Furthermore, increased rates of delinquencies or loss levels could cause the Company to be in breach of its financial covenants under its credit facilities, and could also result in adverse changes to the terms of future financing arrangements available to the Company, including increased interest rates payable to lenders and the imposition of more burdensome covenants and increased credit enhancement requirements.

Interest rate risk

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

Foreign currency risk

The Company has international operations, primarily in the United States. Accordingly, a significant portion of its financial resources are held in currencies other than the Canadian dollar. In recent years, the Company has seen the fluctuations in the U.S. dollar against the Canadian dollar affect its operating results when its foreign subsidiaries results are translated into Canadian dollars. It has also affected the value of the Company's net Canadian dollar investment in its foreign subsidiaries, which had, in the past, reduced the AOCI component of equity to a loss position, although it is now in a large gain position.

No assurances can be made that changes in foreign currency rates will not have a significant adverse effect on the Company's business, financial condition or results of operations.

External financing

The Company depends and will continue to depend on the availability of credit from external financing sources, to continue to, among other things, finance new and refinance existing loans and satisfy the Company's other working capital needs. The Company believes that current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet its cash requirements with respect to investments in working capital, operating expenditures and dividend payments, and also provide sufficient liquidity and capital resources for future growth over the next twelve months. However, there is no guarantee that the Company will continue to have financing available to it or if the Company were to require additional financing that it would be able to obtain it on acceptable terms or at all.

If any or all of the Company's funding sources become unavailable on terms acceptable to the Company or at all, or if any of the Company's credit facilities are not renewed or re-negotiated upon expiration of their terms, the Company may not have access to the financing necessary to conduct its businesses, which would limit the Company's ability to finance its operations and could have a material adverse impact on it's business, financial condition and results of operations. Please also see comments regarding business conditions on page 21.

Dependence on key personnel

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

Income tax matters

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

Recent and future acquisitions and investments

In recent years, the Company has acquired or invested in businesses and may seek to acquire or invest in additional businesses in the future that expand or complement its current business.

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

Fraud by borrowers, lessees, vendors or brokers

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

Technology and cyber security

The Company remains focused on the confidentiality, integrity and availability of the information and cyber security controls that protect its network, data and infrastructure. The cyber security risk landscape includes numerous cyber threats such as hacking threats, identity theft, denial of service, and advanced persistent threats. These and other cyber threats continue to become more sophisticated, complex, and potentially damaging. Third party service providers that the Company uses may also be subject to these risks which can increase our risk of potential attack. The Company establishes the requirements and sets out the overall framework for managing cyber and information security related risks.

These include developing and implementing the appropriate activities to detect, respond to and contain the impact of cyber security threats, along with implementing the appropriate safeguards to ensure the delivery of critical infrastructure services.

The Company is continuously improving the strength of its practices and capabilities. It works closely with our critical cyber security and software suppliers to ensure that its technology capabilities remain cyber resilient and effective in the event of any unforeseen cyber attack. The Company has not experienced any material cyber security breaches and has not incurred any material expenses with respect to the remediation of such cyber events. Security risks continue to be actively monitored and reviewed, leveraging the expertise of the Company's service providers and vendors, reviewing industry best practices and regularly re-assessing controls in place to acknowledge, address and mitigate the risks identified. The Company's maintains a cyber security insurance policy to provide coverage in the event of cyber security incidents.

Data management and privacy risk

Data management and its governance are becoming increasingly important as the Company continues to invest in digital solutions and innovation and the ongoing expansion of business activities. Furthermore, there are regulatory compliance risks associated with data management and privacy. The Company establishes the requirements and sets out the overall framework for data management and managing privacy related risks.

Risk of future legal proceedings

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

OUTLOOK

The economic environment is beginning to provide the ingredients for increasing growth and earnings for Accord Financial. While 2022 presented significant headwinds for growth in several of our operating companies, continuing stress in the business sector is likely to drive more companies to non-bank lenders, providing Accord opportunities to refill the new business pipeline. This is consistent with previous business cycles when commercial banks tighten lending standards in response to economic uncertainty.

Inflation and rising interest rates have created headwinds for small- and medium-sized businesses and Accord's operating companies are facing related challenges, including a generally conservative approach by many of our clients (and prospective clients) to incurring incremental debt to buy equipment, expand operations, or make acquisitions. In keeping with this backdrop Accord continues to maintain a conservative approach to adding new business. The Company's funds employed remained relatively flat at March 31, 2023, with modest declines experienced at AFIU and AEF; offset by growth at AFCC and AFIC while BondIt held relatively steady.

AFCC, the Company's Canadian small business finance division, resumed growth in originations and continues to work with Export Development Canada ("EDC") to develop new AccordExpress products. BondIt Media Capital faced a more competitive landscape in 2022 as it adjusted pricing in the face of higher interest rates, which could create pressure on growth and profit margins in 2023.

The economic conditions for the Company's two ABL/factoring units, AFIC and AFIU, are becoming more conducive to growth. Notably, rapid inflation, supply chain problems, and rising interest rates tend to make banks more conservative in their lending, which provides opportunities for Accord as our lending expertise, and reliance on strong collateral, allows us to finance companies that may no longer meet the banks' criteria. As the new business pipelines in these two divisions builds, we anticipate growth in funds employed, with revenue and earnings to follow. More moderate growth is expected to come from AEF, the Company's U.S. equipment finance division. For the middle market companies AEF typically finances, ramping up investment in equipment is most comfortable when the economic forecast is more certain. For now, the economic environment continues to shift, though 2023 could see a turning point in market sentiment. Supporting modest growth, AEF continues to see deal flow from its capital markets desk and is developing several promising new channel partnerships. AFL continues to generate steady revenue providing non-lending services to its network of reliable foreign banks seeking credit guarantees for shipments to North American buyers. In recent years, AFL's contribution has not been financially significant to the Accord group overall. As reported in our financial statements, the challenging economic environment is likely to weaken the payment performance of some of the Company's existing clients, in particular in the small business portfolio.

While this quarter's allowance for expected loan losses fully reflects our expert credit judgement and third-party economic forecasts, it is possible that the economy underperforms expectations. And finally, in the current environment, the Company is favoring financially stronger clients, which has the effect of lowering average yields.

Overall, the Company anticipates a return to growth of funds employed in 2023 and beyond, and while there are economic challenges to navigate, revenue and earnings growth is expected to follow as the portfolio grows. To support the anticipated growth in funds employed, in July 2022 the Company increased its primary bank facility to $437 million and extended the maturity date to July 2025, which should provide adequate growth capital for the Company in 2023 and beyond. The Company also maintains non-bank loan facilities for BondIt (US$47 million) and AFCC ($39 million) as noted above.

The Company is evaluating a range of options to increase available capital from both private and public capital providers, as the Company plans for future growth and its convertible debentures reach maturity in 2023. This is consistent with other similar companies, whereby funds are raised publicly, privately, through forward-flow and/or asset management structures, or a combination of these and other strategies.

With its substantial capital and borrowing capacity, Accord is positioned to capitalize on market conditions as they evolve. For more than four decades the Company has successfully navigated through multiple economic cycles, giving us valuable perspective as the current environment unfolds. The Company also knows from experience that economic uncertainty creates growth opportunities, as capital providers become more selective, some competitors weaken, and the major banks become even more risk averse.

Irene Eddy

Irene Eddy
Senior Vice President, Chief Financial Officer
May 5, 2023

ACCORD FINANCIAL CORP.

Appendix to MD&A: Non-IFRS Measures and Ratios

($000s, except percentages, earnings per share and book value per share)

	Three months ended March 31		
	2023	**2022**	**2021**
Return on equity			
Net earnings attributable to shareholders	**2,017**	3,138	2,585
Weighted average shareholders' equity (note)	**101,177**	100,043	90,941
Return on average equity (annualized)	**8.0%**	12.7%	11.5%

Note: weighted average shareholders' equity is the average shareholder's equity calculated for each month of the period, then totalled up and divided by 12

	Three months ended March 31		
	2023	**2022**	**2021**
Adjusted net earnings			
Net earnings attributable to shareholders	**2,017**	3,138	2,585
Adjustments, net of tax:			
Stock-based compensation expense	**17**	26	—
Restructuring expenses	**97**	10	47
Business acquisition expenses	**25**	21	51
Adjusted net earnings	**2,156**	3,195	2,683

	Three months ended March 31		
	2023	**2022**	**2021**
Adjusted earnings per share			
Adjusted net earnings	**2,156**	3,195	2,683
Weighted average number of common shares outstanding the period	**8,559**	8,559	8,559
Adjusted earnings per share	**0.25**	0.37	0.31

	Three months ended March 31		
	2023	**2022**	**2021**
Adjusted return on equity			
Adjusted net earnings	**2,156**	3,195	2,683
Weighted average shareholders' equity	**101,177**	100,043	90,941
Adjusted return on equity (annualized)	**8.5%**	12.9%	12.0%

	Three months ended March 31		
	2023	**2022**	**2021**
Average funds employed (note)			
Average funds employed	**451,419**	457,395	358,091

Note: average funds employed is average finance receivables and loans calculated for each month of the year or quarter and divided by the number of months in the period.

	31 March, 2023	**31 Dec, 2022**	**31 March, 2022**
Book value per share			
Shareholders' equity	**102,357**	100,972	100,581
Common shares outstanding	**8,559**	8,559	8,559
Book value per share	**11.96**	11.80	11.75

	31 March, 2023	31 Dec., 2022	31 March, 2022
Tangible equity[(1)]			
Total equity	**107,886**	106,612	105,624
Less: intangible assets	**3,165**	3,201	3,049
Less: goodwill	**12,067**	12,075	13,023
Tangible equity	**92,654**	91,336	89,552

(1) *As of March 31, 2023, the Company no longer deducts deferred taxes from tangible equity, as they are not considered intangible assets or liabilities. Prior periods in the table above have been adjusted for comparability.*

	31 March, 2023	31 Dec., 2022	31 March, 2022
Tangible equity / assets			
Tangible equity	**92,654**	91,336	89,552
Assets	**489,224**	491,761	486,504
Tangible equity / assets	**19%**	19%	18%

	31 March, 2023	31 Dec., 2022	31 March, 2022
Total Equity / assets			
Total equity	**107,886**	106,612	105,624
Assets	**489,224**	491,761	486,504
Equity / assets	**22%**	22%	22%

	31 March, 2023	31 Dec., 2022	31 March, 2022
Debt / equity			
Debt (note)	**368,585**	366,562	366,734
Total equity	**107,886**	106,612	105,624
Debt / equity	**3.42x**	3.44x	3.47x

Note: debt comprises the total of bank indebtedness, loans payable, convertible debentures and notes payable as taken from the Company's Consolidated Statements of Financial Position.

	31 March, 2023	31 Dec., 2022	31 March, 2022
Portfolio			
Finance receivables and loans	**450,258**	452,678	453,824
Managed receivables (note)	**5,293**	5,309	12,303
Portfolio	**455,551**	457,987	466,127

Note: managed receivables represent those off-balance sheet receivables on which the Company has assumed the credit risk and/or collection responsibilities (see note 5(b) to the Statements).

ACCORD FINANCIAL CORP.

Consolidated Statements of Financial Position (unaudited)

	March 31, 2023	December 31, 2022	March 31, 2022
Assets			
Cash	**$ 7,410,196**	$ 11,630,331	$ 6,810,932
Restricted cash (note 4)	**5,565,822**	6,624,848	7,485,690
Finance receivables and loans, net (note 5)	**442,817,158**	444,457,886	448,720,816
Income taxes receivable	**198,552**	597,031	307,746
Other assets (note 6)	**8,025,831**	5,056,561	1,659,492
Assets held for sale (note 7)	**647,750**	107,750	160,274
Deferred tax assets, net	**7,691,437**	6,264,534	3,896,456
Property and equipment (note 8)	**1,635,981**	1,746,160	1,390,708
Intangible assets (note 10)	**3,164,696**	3,201,260	3,048,883
Goodwill (note 9)	**12,066,852**	12,074,869	13,022,852
	$ 489,224,275	$ 491,761,230	$ 486,503,849
Liabilities			
Due to clients	**$ 58,668**	$ 1,827,151	$ 1,712,067
Bank indebtedness (note 11)	**225,936,663**	214,054,518	185,799,442
Loans payable (note 12)	**98,159,927**	109,038,957	137,992,447
Accounts payable and other liabilities	**8,412,003**	11,223,791	8,181,018
Income taxes payable	**1,210,644**	2,615,829	2,309,129
Notes payable (note 13(a))	**18,983,624**	18,605,161	18,166,924
Convertible debentures (note 14)	**25,505,226**	24,863,761	24,774,860
Lease liabilities (note 15)	**1,385,440**	1,496,491	1,106,403
Deferred income	**1,556,101**	1,282,260	433,198
Deferred tax liabilities, net	**130,347**	141,171	404,701
	381,338,643	385,149,090	380,880,189
Equity			
Capital stock (note 16)	**9,448,264**	9,448,264	9,448,264
Contributed surplus (note 16(c))	**1,727,982**	1,705,205	1,108,864
Retained earnings	**83,534,186**	82,158,850	84,183,341
Accumulated other comprehensive income (note 19)	**7,646,800**	7,659,438	5,840,595
Shareholders' equity	**102,357,232**	100,971,757	100,581,064
Non-controlling interest in subsidiaries (note 20)	**5,528,400**	5,640,383	5,042,596
Total equity	**107,885,632**	106,612,140	105,623,660
	$ 489,224,275	$ 491,761,230	$ 486,503,849

Contingent liabilities (note 18)

See accompanying notes to condensed interim unaudited consolidated financial statements.

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

ACCORD FINANCIAL CORP.

Consolidated Statements of Earnings (unaudited)

Three months ended March 31	**2023**	2022
Revenue		
Interest (note 5)	**$ 16,142,024**	$ 14,154,398
Other income (note 5)	**2,302,020**	2,023,388
	18,444,044	16,177,786
Expenses		
Interest	**7,913,087**	4,987,301
General and administrative	**8,514,441**	7,294,289
Provision for credit and loan losses (note 5)	**466,284**	92,540
Depreciation	**152,908**	157,438
Business acquisition expenses:		
Transaction costs	—	—
Amortization of intangible assets	**34.398**	32,197
	17,081,118	12,563,765
Earnings before income tax	**1,362,926**	3,614,021
Income tax expense (recovery)	**(546,829)**	448,000
Net earnings	**1,909,755**	3,166,021
Net earnings (loss)attributable to non-controlling interests in subsidiaries	**(107,574)**	28,279
Net earnings attributable to shareholders	**$ 2,017,329**	$ 3,137,742
Basic and diluted earnings per common share (note 17)	**$ 0.24**	$ 0.37

See accompanying notes to condensed interim unaudited consolidated financial statements.

Consolidated Statements of Comprehensive Income (unaudited)

Three months ended March 31	**2023**	2022
Net earnings	**$ 2,017,329**	$ 3,137,742
Other comprehensive (loss):		
Items that are or may be reclassified to profit or loss:		
Unrealized foreign exchange loss on translation of self-sustaining foreign operations (note 19)	**(12,638)**	(290,585)
Comprehensive income	**$ 2,004,691**	$ 2,847,157

See accompanying notes to condensed interim unaudited consolidated financial statements.

ACCORD FINANCIAL CORP.

Consolidated Statements of Changes in Equity (unaudited)

	Capital stock						
	Number of common shares outstanding	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Non-controlling interests in subsidiaries	Total equity
Balance at January 1, 2022	8,558,913	$ 9,448,264	$ 1,088,263	$ 83,299,791	$ 6,131,180	$ 3,992,151	$ 103,959,649
Comprehensive income	—	—	—	3,137,742	(290,585)	—	$ 2,847,157
Dividends paid (note 16(d))	—	—	—	(641,919)	—	—	(641,919)
Stock-based compensation expense related to stock option grants (note 16(e))	—	—	20,601	—	—	—	20,601
Purchase of additional 8% of Accord CapX LLC from non-controlling interests (note 20)	—	—	—	(1,612,273)	—	1,075,200	(537,073)
Net earnings attributable to non-controlling interests in subsidiary	—	—	—	—	—	28,279	28,279
Translation adjustment on non-controlling interests	—	—	—	—	—	(53,034)	(53,034)
Balance at March 31, 2022	8,558,913	$ 9,448,264	$ 1,108,864	$ 84,183,341	$ 5,840,595	$ 5,042,596	$ 105,623,660
Balance at January 1, 2023	**8,558,913**	**$ 9,448,264**	**$ 1,705,205**	**$ 82,158,850**	**$ 7,659,438**	**$ 5,640,383**	**$ 106,612,140**
Comprehensive income	**—**	**—**	**—**	**2,017,329**	**(12,638)**	**—**	**2,004,691**
Dividends paid (note 16 (d))	**—**	**—**	**—**	**(641,993)**	**—**	**—**	**(641,993)**
Stock-based compensation expense related to stock option grants (note 16(e))	**—**	**—**	**22,777**	**—**	**—**	**—**	**22,777**
Net loss attributable to non-controlling Interests in subsidiary	**—**	**—**	**—**	**—**	**—**	**(107,574)**	**(107,574)**
Translation adjustment on non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(4,409)**	**(4,409)**
Balance at March 31, 2023	**8,558,913**	**$ 9,448,264**	**$ 1,727,982**	**$ 83,534,186**	**$ 7,646,800**	**$ 5,528,400**	**$ 107,885,632**

ACCORD FINANCIAL CORP.

Consolidated Statements of Cash Flows (unaudited)

Three months ended March 31		**2023**		2022
Cash provided by (used in):				
Operating activities				
Net earnings	**$**	**1,909,755**	$	3,166,021
Items not affecting cash:				
Provision for (recovery of) credit and loan losses (note 5)		**466,284**		(116,594)
Deferred income		**(84,925)**		13,000
Amortization of intangible assets (note 10)		**34,398**		32,197
Depreciation of property and equipment (note 8)		**152,908**		157,438
Loss on disposal of property and equipment (note 8)		**4,419**		—
Accretion of convertible debentures (note 14)		**641,465**		173,304
Stock-based compensation expense related to stock option grants (note 16 (e))		**22,777**		20,601
Deferred tax recovery		**(881,851)**		(373,200)
Current income tax expense		**335,022**		821,200
		2,600,252		3,893,967
Changes in operating assets and liabilities:				
Finance receivables and loans, gross (note 5)		**495,576**		22,153,561
Due to clients		**(1,750,817)**		(1,576,175)
Other assets (note 6)		**(2,408,346)**		188,188
Accounts payable and other liabilities		**(2,811,198)**		(3,241,756)
Income tax paid, net		**(1,894,605)**		(997,426)
		(5,769,138)		20,420,359
Investing activities				
Additions to property and equipment, net		**(47,798)**		(27,194)
Financing activities				
Bank indebtedness (note 11)		**11,882,145**		(19,882,255)
Loans payable (note 12)		**(10,836,088)**		(10,817,278)
Notes payable issued, net (note 13 (a))		**380,807**		2,210,263
Dividends paid (note 16 (d))		**(641,993)**		(641,919)
Purchase of 8% of Accord CapX LLC from non-controlling interests		**—**		(537,073)
Lease liabilities principal paid (note 15)		**(160,490)**		(121,900)
		624,381		(29,790,162)
Effect of exchange rate changes on cash		**(86,606)**		(454,769)
Increase (decrease) in cash and restricted cash		**(5,279,161)**		(9,851,766)
Cash and restricted cash at January 1		**18,255,179**		24,148,388
Cash and restricted cash at March 31	**$**	**12,976,018**	$	14,296,622
Supplemental cash flow information:				
Net cash used in operating activities includes:				
Interest paid	**$**	**4,914,387**	$	2,608,456

See *accompanying notes to condensed interim unaudited consolidated financial statements.*

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 financing, including factoring, working capital, equipment and inventory financing, leasing, media financing, 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. These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34: Interim Financial Reporting. Accordingly, the condensed consolidated interim financial statements contain selected explanatory notes to the financial statements and do not include all the disclosures required by International Financial Reporting Standards. Full disclosures were included in the Company's annual consolidated financial statements for the year ended December 31, 2022. 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, 2022.

The preparation of the condensed interim unaudited consolidated financial statements 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 expected losses relating to finance receivables and loans and to the guarantee of managed receivables (notes 3(d) and 5), the carrying value of assets held for sale (note 6), the determination of the valuation of goodwill and intangible assets on acquisition, as well as in the impairment testing thereof (notes 9 and 10), and the net realizable value of deferred tax assets and liabilities.

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus known as Covid-19. The rapid evolution of this pandemic combined with the restrictions on the movement of people and goods led to a significant contraction in economic activity. While Covid-19 is no longer considered a pandemic, several follow-on effects are now emerging, including supply chain disruptions, high inflation, and rapidly increasing interest rates.

As a result, significant economic uncertainty still persists, the expected impact of which requires increased judgment for many of the Company's estimates and assumptions and carry a higher degree of measurement uncertainty, variability and volatility. As events continue to evolve and additional information becomes available, the Company's estimates may change materially in the future. Examples of significant estimates include the allowances for expected losses, the determination of triggering events for the impairment of non-financial assets, such as goodwill and intangible assets, and fair value measurements, including those related to financial instruments. Management believes that its estimates are reasonable, supportable and appropriate.

The condensed interim unaudited consolidated financial statements of the Company have been prepared on the historical cost basis except for the following items which are recorded at fair value:

- Stock option grants (a component of contributed surplus); and
- Guarantee of managed receivables (a component of finance receivables and loans, net)

These condensed interim unaudited consolidated financial statements for the three months ended March 31, 2023 were approved for issuance by the Company's Board of Directors ("Board") on May 5, 2023.

3. Significant accounting policies:

a) 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 Accord Financial Canada Corp. ("AFCC") (formerly known as Varion Capital Corp.) 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.

b) Revenue recognition

Revenue principally comprises interest, including discount fees, factoring commissions and other fees from the Company's asset-based financial services, including factoring and leasing, and is measured at the fair value of the consideration received. Interest charged on finance receivables and loans is recognized as revenue using the effective interest rate method. For receivables purchased in its recourse factoring business, discount fees are calculated as a discount percentage of the gross amount of the factored invoice and are recognized as revenue over the initial discount period. Additional discount fees are charged on a per diem basis if the invoice is not paid by the end of the initial discount period.

For managed receivables, factoring commissions are charged up front and a certain portion is deferred and recognized over the period that costs are incurred collecting the receivables. In the Company's leasing business, interest is recognized over the term of the lease agreement or installment payment agreement using the effective interest rate; the effective interest rate is that rate which exactly discounts estimated future cash receipts through the expected life of the lease, installment payment or loan agreement to the initial cost or loan amount of the asset. Fees related to direct finance leases, installment payment agreements and loan receivables of AFCC and Accord CapX LLC (doing business as Accord Equipment Finance ("AEF")), a wholly owned subsidiary of AFIU, are considered an integral part of the yield earned on the debtor balance and are accounted for using the effective interest rate method. Other revenue, such as management fees, due diligence fees, documentation fees, setup fees, commitment fees and service fees, is recognized as revenue when earned.

c) Finance receivables and loans

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

i) the asset is held within a business model whose objective is to hold assets 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.

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

d) Allowances for expected credit losses

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

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

The calculation of ECL is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls. 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. These key inputs associated with each loan are sensitized to future market and macroeconomic conditions through the incorporation of FLI. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument. Stage 3 financial instruments are those that the Company has classified as impaired. Lifetime ECL are recognized for all Stage 3 financial instruments.

For Stage 3 finance receivables and loans, either an allowance for ECL is provided thereon or, where the Company intends to or has actively taken possession of its collateral with a view to realizing on same as a means of recovering some or all of the outstanding account balance, the financial instrument is written down to its estimated net recoverable value, or in respect of the Company's managed receivables, an amount is accrued for the expected payment to client(s) under its guarantee. The Company classifies a financial instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. The Company also refers to these accounts as "workout" accounts. Accounts are in "workout" as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated and could include significant financial difficulty of the borrower, default or delinquency in interest or principal payments, a high probability of the borrower entering a phase of bankruptcy or a financial reorganization, or a measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan. A financial instrument is no longer considered impaired when all past due amounts, including interest, have been recovered, and it is determined that the principal and interest are fully collectable in accordance with the original contractual terms or revised market terms of the financial instrument with all criteria for the impaired classification having been remedied. Financial instruments are written-off, either partially or in full, against the related allowance for expected credit 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 expected credit losses.

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 ("CGU"). Goodwill is also tested for impairment between annual assessments when facts and other circumstances indicate that impairment may have occurred. If the carrying value of the goodwill exceeds its recoverable amount, the excess is charged against earnings in the year in which the impairment is determined.

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 reliably determined. Intangible assets acquired are initially recognized at cost of purchase, which is also the fair value at the date acquired and are subsequently carried at cost less accumulated amortization and, if applicable, accumulated impairment losses. The Company's intangible assets, with the exception of the acquired brand name which is considered to have an indefinite life and is not amortized, have a finite life and are amortized over their useful economic life. Intangible assets are also assessed for impairment each reporting period. The amortization period and method of amortization are reassessed annually. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimates. The amortization expense is recorded as a charge against earnings. The Company's intangible assets comprise existing customer contracts, customer relationships, broker relationships and brand name in its leasing and small business finance 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 stock options and deferred share units ("DSU") issued to directors and/or employees using fair value-based methods. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the stock options on the grant date. The fair value of the stock options is recorded in general and administrative expenses over the awards vesting period. DSUs vest at the award date and the fair value thereof is recorded as an expense. Subsequent adjustments are recorded in general and administrative expense, based on the difference between the fair value of the DSUs at the end of a reporting period and the fair value at the grant date.

i) Financial assets and liabilities

Financial assets and liabilities are recorded at amortized cost, with the exception of derivative financial instruments, and the guarantee of managed receivables which are all recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly manner between participants in an active (or in its absence, the most advantageous) market to which the Company has access at the transaction date. The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the transaction date on which the Company becomes a party to the contractual provisions.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be reliably estimated.

j) Convertible debentures

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

k) 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 net recoverable amount (also referred to as “net realizable value”).

4. Restricted cash:

Restricted cash represents cash held as security for non-recourse borrowings provided by a lender. A cash reserve account held by the lender is required to be maintained at an amount equal to 5% of the loan principal outstanding. Additionally, cash collections related to certain financial assets securing the non-recourse borrowing can only be used to repay that debt on certain specified dates. As at March 31, 2023, restricted cash totalled $5,566,000 (December 31, 2022 – $6,625,000, March 31, 2022 – $7,486,000) against an amount due to the lender of $39,012,000 (December 31, 2022 – $44,368,000, March 31, 2022 – $78,529,000).

5. Finance receivables and loans and managed receivables:

As detailed in note 2, there is a high degree of uncertainty relating to the adverse economic impact caused by the current geo-political environment on the Company's portfolio of finance receivables and loans, and managed receivables, and the requirement to build FLI into our expected credit loss models. Since the beginning of Covid-19 in the first quarter of 2020, this economic uncertainty resulted in downgrades in internal risk ratings for some clients, and an increase in delinquencies. This, together with a weaker economic environment reflected in the FLI, led to significant increases in the Company's provision for credit and loan losses and allowances for expected credit losses.

a) Finance receivables and loans

(in thousands)	**March 31, 2023**	Dec. 31, 2022	March 31, 2022
Working capital loans	**$ 131,447**	$ 121,979	$ 109,922
Receivable loans	**93,993**	86,788	94,600
Inventory & equipment loans	**81,451**	90,970	95,782
Media loans	**88,250**	87,770	83,524
Lease receivables	**55,117**	65,171	69,996
Finance receivables and loans	**450,258**	452,678	453,824
Less allowance for expected losses	**7,427**	8,189	5,103
Finance receivables and loans, net	**$ 442,831**	$ 444,489	$ 448,721

The Company's finance receivables and loans are generally either: (i) collateralized by a charge on substantially all of the borrowers' assets; or (ii) leased assets or factored receivables which the Company owns; or (iii) guaranteed by a creditworthy party. Collateral securing the Company's finance receivables and loans primarily comprises receivables, inventory and equipment, as well as other assets such as real estate and guarantees.

Lease receivables comprise the net investment in leases by AFCC and AEF as described in note 3(c). Lease receivables at March 31, 2023 are expected to be collected over a period of up to five years.

Interest income earned on finance receivables and loans during the quarter ended March 31, 2023 totalled $16,142,000 (2022 – $14,154,000).

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

(in thousands)	**March 31, 2023**	Dec. 31, 2022	March 31, 2022
Less than 1 year	**$ 252,997**	$ 217,844	$ 257,312
1 to 2 years	**107,404**	117,623	87,270
2 to 3 years	**57,394**	65,879	81,431
3 to 4 years	**25,393**	33,279	24,738
4 to 5 years	**7,070**	18,053	3,073
	$ 450,258	$ 452,678	$ 453,824

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

(in thousands)	**March 31, 2023**	Dec. 31, 2022	March 31, 2022
Current	**$ 409,458**	$ 403,807	$ 416,070
Past due but not impaired:			
Past due less than 90 days	**18,118**	23,302	18,936
Past due 90 to 180 days	**4,180**	1,755	10,571
Past due 180 days or more	**4,917**	4,845	6,711
Impaired loans	**13,585**	18,969	1,536
	$ 450,258	$ 452,678	$ 453,824

The past due finance receivables and loans, especially those past due over 90 days, do not necessarily represent a SICR. A SICR is based on changes in the lifetime risk of default of an account since initial recognition, or an impairment, which may be rebutted by other facts. For instance, payments may be delayed for non-credit reasons, such as specific industry related payment conventions, present in some of the Company's lines of business. Of the past due finance receivables at March 31, 2023, $23,244,000 related to BondIt Media Capital ("BondIt"), AFIU's 60% controlled media finance subsidiary, where media productions and the sale thereof are often delayed resulting in payment delays, while $13,291,000 related to AFCC and $2,435,000 to AEF.

As the Company's finance receivables and loans are generally collateralized, past due or impaired accounts do not necessarily lead to a significant ECL allowance based on the net realizable value of the collateral security which may result in a low or no LGD.

At March 31, 2023, the estimated net realizable value of the collateral securing the impaired loans totalled $11,515,000 (December 31, 2022 – $17,817,000, March 31, 2022 – $1,536,000). During Q1 2023, loans totalling $540,000 (December 31, 2022 – $1,430,000, March 31, 2022 – nil) were transferred to assets held for sale upon default of the leases and repossession of the Company's assets.

The Company uses a credit risk rating system for assessing obligor and transaction risk for finance receivables and loan exposures. Risk rating models use internal and external data to assess and assign credit ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. The credit rating of the borrower is used to assess the predicted credit risk for each initial credit approval or significant account management action. Credit ratings improve credit decision quality, adjudication time frames and consistency in the credit decision process and facilitates risk-based pricing.

As detailed in note 3(d), the Company assigns credit ratings to its finance receivables and loans. The credit ratings, along with other factors, are used for the determination of Staging based on a SICR analysis.

The Staging segmentation influences estimated allowances as described below:

- Stage 1 – for leases and loans that have not experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the net credit losses expected to result from defaults occurring in the next 12 months;
- Stage 2 – for those leases or loans that have experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the net credit losses expected over the remaining life of the lease or loan; and
- Stage 3 – for leases or loans that are considered credit-impaired, a loss allowance is recognized equal to full lifetime expected net credit losses.

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

(in thousands)	**March 31, 2023**	Dec. 31, 2022	March 31, 2022
Stage 1	**$ 378,424**	$ 370,463	$ 414,904
Stage 2 (SICR)	**58,249**	63,246	37,384
Stage 3 (Impaired)	**13,585**	18,969	1,536
	$ 450,258	$ 452,678	$ 453,824

The activity in the allowance for expected credit losses on finance receivables and loans account during the first three months of 2023 and 2022 was as follows:

	2023	2022
Allowance for expected losses at January 1	**$ 8,188,873**	$ 5,251,000
Provision for loan losses	**487,146**	99,921
Write-offs	**(1,293,154)**	(230,836)
Recoveries	**46,890**	14,323
Foreign exchange adjustment	**(2,279)**	(31,408)
Allowance for expected losses at March 31	**$ 7,427,476**	$ 5,103,000

The activity in the allowance for expected losses on finance receivables and loans during the first three months of 2023 by stage of allowance was as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for expected losses at Jan. 1, 2023	**$ 2,902,950**	**$ 2,803,046**	**$ 2,482,877**	**$ 8,188,873**
Transfer between stages	**99,987**	**285,872**	**(385,859)**	**—**
Provision (recovery) related to change in allowance for expected credit losses	**(198,680)**	**(732,418)**	**171,980**	**(759,118)**
Foreign exchange adjustment	**(800)**	**(429)**	**(1,050)**	**(2,279)**
Balance at March 31, 2023	**$ 2,803,457**	**$ 2,356,071**	**$ 2,267,948**	**$ 7,427,476**

The activity in the allowance for expected losses on finance receivables and loans during the first three months of 2022 by stage of allowance was as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected losses at Jan. 1, 2022	$ 3,319,910	$ 1,871,696	$ 59,394	$ 5,251,000
Transfer between stages	—	—	—	—
Provision (recovery) related to change in allowance for expected credit losses	(241,110)	167,790	(43,272)	(116,592)
Foreign exchange adjustment	(16,239)	(15,304)	135	(31,408)
Balance at March 31, 2022	$ 3,062,561	$ 2,024,182	$ 16,257	$ 5,103,000

The allowance for expected credit losses for some Stage 3 accounts can be minimal, as the impaired finance receivables and loans are in respect of accounts where the Company intends to or has actively taken possession of its collateral and is currently or will be liquidating the same as a means of recovering some or all of the outstanding account balance. In such cases, the finance receivables and loans have been written down to the present value of their estimated net recoverable amounts and any allowance for expected losses thereon reversed.

The Company's allowance for expected losses on finance receivables and loans is estimated using statistical models that involve a number of inputs and assumptions. The key drivers of changes in the Company's allowance for expected losses include the following:

- Increase or decrease in the amount of finance receivables and loans;
- Transfers between stages due to SICR's, as reflected by changes in PD and LGD; and;
- Changes in forward-looking macroeconomic variables used in the expected credit losses models.

The Company incorporates the impact of FLI into its allowance for expected losses. The Company sources data from Moody's Analytics, a third-party service provider for the purpose of computing forward-looking credit risk parameters under multiple macroeconomic scenarios that consider both market-wide and idiosyncratic factors and influences.

The Company employs macroeconomic indicator data derived from multiple macroeconomic scenarios in order to mitigate volatility in the estimation of its allowance for expected losses, and to satisfy the IFRS 9 requirement that future economic conditions are to be based on an unbiased, probability-weighted assessment of possible future outcomes. The macroeconomic indicator data utilized by the Company for the purpose of sensitizing PD and LGD to forward-looking economic conditions includes, but are not limited to: monetary policy, fiscal policy, energy prices, public health emergencies, including an epidemic or pandemic, business investment, housing, employment, and supply chain amongst others.

Currently, the Company assigns discrete weights to several macroeconomic forecast scenarios for use in the estimation of its allowance for expected credit losses. The Company also applies experienced credit judgment in circumstances where the assumptions or models may not capture all the relevant risk factors. The Company has applied experienced credit judgement to consider uncertainty in the U.S. and Canadian macroeconomic environment attributable to rising interest rates, supply chain disruption, energy prices and labor/supply costs. The Company tracks forward estimates of the following indices in order to sensitize allowances for expected losses: Producer Price Index (“PPI”); WTI Crude; Global Supply Chain Stress Index (“GSCP”); and U.S. and Canadian Prime rates, as these factors have a pronounced impact on the Company’s portfolio.

The Company uses experienced credit judgment to review and analyze the various forecast scenarios and assign probability weightings. If management were to assign a 100% probability to the most pessimistic downside scenario forecast considered, the allowance for expected losses would have been $1.55 million higher than the reported estimate of the allowance for expected losses as at March 31, 2023. Alternatively, the assignment of a 100% probability to the most optimistic upside scenario forecast considered would have resulted in the allowance for expected losses being $2.46 million lower than that reported.

The nature of the Company's business involves funding or assuming the credit risk on the receivables of its clients, and the financing of other assets, such as inventory and equipment. The Company controls the credit risk associated with its finance receivables and loans, and managed receivables in a variety of ways, as discussed below. For details of the Company's policies and procedures in this regard, please refer to note 23(a).

At March 31, 2023, the Company held cash collateral of $ $3,688,000 (December 31, 2022 - $3,533,000, March 31, 2022 – $3,402,000) to help reduce the risk of loss on certain of the Company's finance receivables and loans.

b) Managed receivables

The Company has entered into agreements with clients, whereby it has assumed the credit risk with respect to the clients' receivables. At March 31, 2023, the gross amount of these managed receivables was $5,293,000 (December 31, 2022 – $5,310,000, March 31, 2022 – $12,303,000). Fees from the Company’s receivables management and credit protection business during the three months ended March 31, 2023 totalled $133,000 (2022 – $129,000). These fees are included in other income.

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

(in thousands)	**March 31, 2023**	Dec. 31, 2022	March 31, 2022
Current	**$ 5,293**	$ 5,309	$ 12,303
Past due but not impaired:			
Past due less than 90 days	**—**	—	—
Past due more than 90 days	**—**	—	—
Impaired	**—**	—	—
	$ 5,293	$ 5,309	$ 12,303

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

(in thousands)	**March 31, 2023**	Dec. 31, 2022	March 31, 2022
Stage 1	**$ 5,293**	$ 5,309	$ 12,303
Stage 2 (SICR)	**—**	—	—
Stage 3 (Impaired)	**—**	—	—
	$ 5,293	$ 5,309	$ 12,303

Outstanding client claims in respect of impaired managed receivables are an actual liability that is accrued for and included in accounts payable and other liabilities.

Management provides an allowance for expected losses on the guarantee of these managed receivables, which represents the estimated fair value of the guarantees at that date. This allowance is included in the allowance for losses at March 31, 2023, whereas at March 31, 2022 was included in accounts payable and other liabilities. The Company does not take title to the managed receivables and they are not included in the consolidated statements of financial position.

The activity in the allowance for expected credit losses on the guarantee of managed receivables during the first three months of 2023 and 2022 was as follows:

	2023	2022
Allowance for expected losses at January 1	**$ 31,000**	$ 31,000
Provision for (recovery of) credit losses	**(19,957)**	(7,381)
Write-offs	**—**	—
Recoveries	**2,190**	7,381
Allowance for expected losses at March 31	**$ 13,233**	$ 31,000

The activity in the allowance for expected losses on the guarantee of managed receivables during the first three months of 2023 and 2022 by stage of allowance was as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for expected losses at Jan. 1, 2023	**$ 31,000**	**$ —**	**$ —**	**$ 31,000**
Provision (recovery) related to change in allowai expected credit losses	**(17,767)**	**—**	**—**	**(17,767)**
Balance at March 31, 2023	**$ 13,233**	**$ —**	**$ —**	**$ 13,233**

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected losses at Jan. 1, 2022	$ 31,000	$ —	$ —	$ 31,000
Provision related to change in allowance for expected credit losses	—	—	—	—
Balance at March 31, 2022	$ 31,000	$ —	$ —	$ 31,000

6. Other assets

Other assets at March 31, 2023 were $8,026,000. (December 31, 2022 – $5,057,000, March 31, 2022 – $1,659,000) and were primarily comprised of prepaid expenses of $4,651,000, (December 31, 2022 – $2,723,000, March 31, 2022 - $959,000) and amounts due from EDC of $2,868,000, (December 31, 2022 – $1,315,000, March 31, 2022 – 580,000) pursuant to guarantees provided on AccordExpress loans.

7. Assets held for sale

Assets held for sale and movements therein during the first three months of 2023 and 2022 were as follows:

	2023	2022
Assets held for sale at January 1	**$ 107,750**	$ 160,274
Additions	**540,000**	—
Disposals	**—**	—
Impairment charge	**—**	—
Foreign exchange adjustment	**—**	—
Assets held for sale at March 31	**$ 647,750**	$ 160,274

During the first quarter of 2023 and 2022, the Company obtained title to or repossessed certain long-lived assets securing defaulted finance receivables and loans from one or more clients. These assets have been sold or are being actively marketed for sale and will be disposed of as market conditions permit. The estimated NRV of the assets held for sale at the above dates was based upon external appraisals.

8. Property and equipment

Property and equipment includes the Company's right-of-use assets, comprising five office leases. The Company's right-of-use assets and movements therein during the first three months of 2023 and 2022 were as follows:

(in thousands)	**2023**	2022
Right-of-use assets at January 1	**$ 1,342**	$ 875
Addition	**—**	251
Depreciation expense	**(113)**	(117)
Foreign exchange adjustment	**(1)**	(2)
Right-of-use assets at March 31	**$ 1,228**	$ 1,007

Property and equipment at March 31, 2023 also includes capital assets, net, with a net book value of $407,823 (December 31, 2022 – $404,244, March 31, 2022 – $383,243).

9. Goodwill:

	2023	2022
Goodwill at January 1	**$ 12,074,869**	$ 13,140,447
Foreign exchange adjustment	**(8,017)**	(117,595)
Goodwill at March 31	**$ 12,066,852**	$ 13,022,852

At March 31, 2023 and 2022 goodwill of U.S. $8,908,713 was carried in AFIU, the Company's U.S. subsidiary. A foreign exchange adjustment is recognized each period-end when this balance is translated into Canadian dollars at a different prevailing period-end exchange rate. The decrease in goodwill from March 31, 2022 is related to a $1,882,507 impairment loss against goodwill at the Company's Canadian CGU which was recorded during Q4, 2022.

Goodwill was allocated to the following CGUs at the following dates:

	March 31, 2023	Dec. 31, 2022	March 31, 2022
U.S. operations	**12,066,852**	12,074,869	11,140,345
Canadian operations	**—**	—	1,882,507
	12,066,852	12,074,869	13,022,852

Goodwill is tested for impairment annually or more frequently if impairment indicators arise.

10. Intangible assets:

Intangible assets and movements therein during the first three months of 2023 were as follows:

2023	**Customer and referral relationships**	**Brand name**	**Total**
Cost			
January 1, 2023	**$ 2,064,275**	**$ 1,846,055**	**$ 3,910,330**
Foreign exchange adjustment	**(1,371)**	**(1,226)**	**(2,597)**
March 31, 2023	**$ 2,062,904**	**$ 1,844,829**	**$ 3,907,733**
Accumulated amortization			
January 1, 2023	**$ (709,070)**	**$ —**	**$ (709,070)**
Amortization expense	**(34,398)**	**—**	**(34,398)**
Foreign exchange adjustment	**431**	**—**	**431**
March 31, 2023	**$ (743,037)**	**$ —**	**$ (743,037)**
Book value			
January 1, 2023	**$ 1,355,205**	**$ 1,846,055**	**$ 3,201,260**
March 31, 2023	**$ 1,319,867**	**$ 1,844,829**	**$ 3,164,696**

Intangible asset movements during the first three months of 2022 were as follows:

2022	Customer and referral relationships	Brand name	Total
Cost			
January 1, 2022	$ 1,924,616	$ 1,721,159	$ 3,645,775
Foreign exchange adjustment	(20,104)	(17,978)	(38,082)
March 31, 2022	$ 1,904,512	$ 1,703,181	$ 3,607,693
Accumulated amortization			
January 1, 2022	$ (532,579)	$ —	$ (532,579)
Amortization expense	(32,197)	—	(32,197)
Foreign exchange adjustment	5,966	—	5,966
March 31, 2022	$ (558,810)	$ —	$ (558,810)
Book value			
January 1, 2022	$ 1,392,037	$ 1,721,159	$ 3,113,196
March 31, 2022	$ 1,345,702	$ 1,703,181	$ 3,048,883

11. Bank indebtedness:

The Company has a revolving credit facility with a maximum commitment of $436.5 million and a contractual maturity date of July 26, 2025, provided by a syndicate of six banks. Floating rate indices for drawn amounts under the revolving credit facility are primarily based on bankers' acceptances, SOFR or Prime rate. The credit facility is secured by the Company's finance receivables and loans, except for finance receivables and loans that secure the BondIt loan and the ASBF loan. At March 31, 2023, the amount outstanding under the revolving credit facility totalled $225,937,000 (December 31, 2022 – $214,055,000, March 31, 2022 – $185,799,000). The Company was in compliance will all loan covenants under its revolving credit facility during the first three months of 2023 and 2022.

12. Loans payable:

a) BondIt loan

BondIt has a revolving line of credit with a non-bank lender, which bears interest varying with a base rate, generally the higher of the U.S. Prime rate or the effective Federal Funds rate. This revolving line, which is secured by all of BondIt's assets, has a total commitment of US$47,000,000 ($63,662,000) and a maturity date of May 31, 2024. At March 31, 2023, the amount outstanding under this line of credit totalled $59,148,000(December 31, 2022 – $64,671,000, March 31, 2022 – $59,464,000) inclusive of accrued interest and fees. BondIt was in compliance with all loan covenants under this facility during the first three months of 2023 and 2022.

b) ASBF loan

ASBF, a subsidiary of AFCC, has a non-recourse loan provided by a life insurance company. This loan is secured by the majority of ASBF's assets and bears a fixed rate of interest of 3.55%.

The amount outstanding under this loan facility at March 31, 2023, was $39,012,415 (December 31, 2022 – $44,368,000, March 31, 2022 – $78,528,643) ASBF was in compliance with the covenants under this facility during the first three months of 2023 and 2022.

13. Related parties:

a) Notes payable:

Notes payable comprise: (i) unsecured demand notes due on, or within a week of demand and (ii) term notes which are repayable on various dates the latest of which is July 31, 2025. Notes payable are owed to individuals or entities including shareholders, management, employees, other related individuals and third parties.

Notes payable were as follows:

	March 31, 2023	Dec. 31, 2022	March 31, 2022
Demand and term notes due within one year:			
Related parties	**$ 5,907,298**	$ 5,910,996	$ 16,009,989
Third parties	**2,576,326**	2,194,165	2,156,935
	8,483,624	8,105,161	18,166,924
Term notes due after one year:			
Related parties	**10,500,000**	10,500,000	—
Third parties	**—**	—	—
	$ 18,983,624	$ 18,605,161	$ 18,166,924

Notes due on, or within a week of, demand bear interest at rates that vary with bank prime rate, while the term notes bear interest at fixed rates between 7.25% and 11%.
Interest expense on the notes payable for the three months ended March 31 was as follows:

	2023	2022
Related parties	**$ 298,975**	$ 241,233
Third parties	**60,339**	49,726
	$ 359,314	$ 290,959

b) **BondIt participations**:

BondIt utilizes loan participations to provide capital for and reduce the risk of loss on certain client loans, as well as reduce its overall cost of capital. A number of related parties have participations in BondIt client loans. At March 31, 2023, participations in BondIt client loans totalled U.S. $24,136,352 (December 31, 2022 – US$28,132,000, March 31, 2022 – US$31,231,000), of which U.S. $10,770,871 (December 31, 2022 – U.S. $11,844,000, March 31, 2022 – U.S. $2,039,000) was provided by related parties. These participations are not included in the Company's Consolidated Statements of Financial Position.

14. Convertible debentures:

Convertible debentures with a face value of $25,650,000 (25,650 convertible debentures) carrying a 7% coupon rate were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading on the Toronto Stock Exchange ("TSX"), while 5,000 are unlisted. Interest on all the convertible debentures is payable semi-annually on June 30 and December 31 each year. The debentures mature on December 31, 2023 and are convertible at the option of the holder into common shares of the Company at a conversion price of $13.50 per common share.

As of December 31, 2022, the debentures are redeemable by the Company on any date prior to the maturity date, at a redemption price equal to 100% of the principal amount plus any accrued and unpaid interest thereon.

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

The allocation of the gross proceeds from the convertible debentures issuance and the balances outstanding on the debt and equity components at March 31, 2023 were as follows:

	Liability component of debentures	**Equity component of debentures**	**Total**
Debentures issued	**$ 24,152,897**	**$ 1,473,903**	**$ 25,626,800**
Transaction costs	**(1,739,323)**	**(106,414)**	**(1,845,737)**
Net proceeds	**22,413,574**	**1,367,489**	**23,781,063**
Deferred taxes	**—**	**(362,384)**	**(362,384)**
Accretion in carrying value of debenture liability	**3,091,652**	**—**	**3,091,652**
	$ 25,505,226	**$ 1,005,105**	**$ 26,510,631**

The allocation of the gross proceeds from the convertible debentures issuance and the balances outstanding on the debt and equity components at March 31, 2022 were as follows:

	Liability component of debentures	Equity component of debentures	Total
Debentures issued	$ 24,152,897	$ 1,473,903	$ 25,626,800
Transaction costs	(1,739,323)	(106,414)	(1,845,737)
Net proceeds	22,413,574	1,367,489	23,781,063
Deferred taxes	—	(362,384)	(362,384)
Accretion in carrying value of debenture liability	2,361,286	—	2,361,286
	$ 24,774,860	$ 1,005,105	$ 25,779,965

At March 31, 2023 all debentures remained outstanding.

15. Lease liabilities:

The following table presents the contractual undiscounted cash flows for lease obligations at March 31:

(in thousands)		2023		2022
Less than one year	$	**410**	$	467
One to five years		**1,147**		786
Thereafter		**—**		—
Total undiscounted lease obligations		**1,557**		1,253
Less: short-term lease commitments elected for exemption under IFRS 16		**—**		(6)
Less: future interest		**(172)**		(140)
Lease liabilities	$	**1,385**	$	1,107

For the three months ended March 31, 2023, principal and interest payments for the five office leases recognized as right-of-use assets under IFRS 16 totalled $161,000 (2022 - $122,000) and $26,000, (2022 - $17,000), respectively, for total lease payments of $187,000 (2022 - $139,000). No variable lease payments are included in the measurement of the Company's lease liabilities.

16. Capital stock, contributed surplus, dividends, 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 March 31, 2023 and 2022, there were no first preferred shares outstanding.

b) Issued and outstanding

The Company's issued and outstanding common shares during the first three months of 2023 and 2022 are set out in the consolidated statements of changes in equity.

c) Contributed surplus

The Company's contributed surplus and movements therein during the first three months of 2023 and 2022 are set out in the consolidated statements of changes in equity.

d) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During the three months ended March 31, 2023, dividends totalling $641,993 (2022 – $641,919) or $0.075 (2022 – $0.075) per common share were declared and paid.

On May 3, 2023, the Company declared a quarterly dividend of $0.075 per common share, payable June 1, 2023 to shareholders of record at the close of business on May 15, 2023.

e) Stock Based Compensation

i) Stock option plan:

The Company has a stock option plan (the "2021 SOP") for employees and directors. Under the terms of the plan, an aggregate of 850,000 common shares, representing 9.9% of the Company's issued and outstanding common shares, have been reserved for issuance upon the exercise of stock options granted. The options granted vest one-third on the date of the grant, and one-third on each of the first two anniversaries of the date of grant. The exercise price of all options granted under the 2021 SOP is not lower than the volume-adjusted average trading price of the Company's common share on the Toronto Stock Exchange during the ten days immediately preceding the date of grant. The Board reserves the right to change the terms of the options.

Details of the stock options granted and outstanding are shown in the table below.

As of March 31, 2023, outstanding options granted under the 2021 SOP were as follows:

				Outstanding Options as of:		
Grant Date	Number of options granted	Exercise Price	Expiry Date	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Aug. 4, 2021	80,100	$8.83	Aug. 3, 2028	**45,000**	54,000	80,100
Oct. 12, 2021	12,000	$8.83	Aug. 3, 2028	**12,000**	12,000	12,000
Sep. 19, 2022	72,000	$8.34	Sep. 18, 2029	**72,000**	72,000	—
	164,100			**129,000**	138,000	92,100

Of the outstanding options, 58,000 were vested at March 31, 2023. The decrease in outstanding options for the grant date August 4, 2021, is due to the cancellation of options granted to certain employees that left the Company.

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

	Sep.19, 2022	Oct. 12, 2021	Aug. 12, 2021
Risk free interest rate	3.17%	1.35%	0.92%
Expected dividend yield	3.29%	2.48%	2.24%
Expected share price volatility	27.51%	29.53%	29.36%
Expected life of option (years)	7.0	6.8	7.0
Fair value per option	$1.87	$1.67	$1.97

ii) Deferred share unit ("DSU") plan:

During the three months ended March 31, 2023, the Company granted 2,691 DSU's (March 31, 2022 – 1,387) to directors under its DSU Plan, which commenced January 1, 2022. DSUs are granted at fair market value on grant date and vest immediately.

iii) Stock-based compensation:

During the three months ended March 31, 2023, the Company recorded a stock-based compensation expense of $35,700 (2022 – $32,600), of which $22,800 related to stock option grants under the 2021 SOP and $12,900 related to DSU grants.

17. 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 consist of stock options and convertible debentures.

Certain outstanding options were excluded from the calculation of diluted shares outstanding for the three months ended March 31, 2023 because they were considered to be anti-dilutive for earnings per common share purposes, while for the three months ended March 31, 2022 all outstanding options were excluded for the same reason. Detail of outstanding options are set out in note 16(e).

18. 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 March 31, 2023 and 2022, and December 31, 2022, 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 March 31, 2023 the Company was contingently liable with respect to letters of guarantee issued on behalf of a client in the amount of $758,520 (December 31, 2022 – $759,024, March 31, 2022 – $637,755).

There were no letters of credit issued on behalf of clients for which the Company was contingently liable at those dates. These amounts were considered in determining the allowance for expected losses on finance receivables and loans.

19. Accumulated other comprehensive income:

Accumulated other comprehensive income ("AOCI") solely comprises the unrealized foreign exchange gain (loss) (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 three months ended March 31, 2023 and 2022 are set out in the consolidated statements of changes in equity.

20. Non-controlling interests in subsidiaries:

Non-controlling interests in subsidiaries at March 31, 2023 and December 31, 2022 comprised an effective 40% interest in BondIt's common member units (March 31, 2022 – 39%). On September 16, 2022, BondIt raised additional capital and as a result the Company reduced its ownership of the common member units by 1% which amounted to a reduction in non-controlling interest of $130,270 (US$98,213). On August 1, 2021, the Company acquired an additional 10% of the common member units in BondIt from non-controlling interests at a cost of $1,369,231 (US$1,098,725). On January 1, 2022, AFIU acquired an additional 8% of AEF common units from non-controlling interests at a cost of $537,073 (US$425,000) bringing its ownership in AEF up to 100%. Please see the consolidated statements of changes in equity for movements in non-controlling interests during the three months ended March 31, 2023 and 2022.

21. Fair value of financial assets and liabilities:

Financial assets or liabilities, other than lease receivables and loans to clients in our equipment and small business finance businesses, term loan payable, lease liabilities and convertible debentures, are short term in nature and, therefore, their carrying values approximate fair values. Changes in interest rates, credit spreads and liquidity costs are the main cause of changes in the fair value of the Company's financial instruments resulting in a favourable or unfavourable variance compared to carrying value. For the Company's financial instruments carried at cost or amortized cost, the carrying value is not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes.

22. 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. An operating segment is a component in the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Company's other subsidiaries, whose operating results are regularly reviewed by the

Company's Chief Operating Decision Makers ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CODM include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. There were no significant changes to property and equipment, intangible assets and goodwill during the periods under review.

Three months ended March 31	**2023**				2022			
(in thousands)	**Canada**	**United States**	**Inter-Company**	**Total**	Canada	United States	Inter-Company	Total
Identifiable assets	**$ 290,488**	**$ 201,497**	**$ (2,761)**	**$ 489,224**	$ 260,182	$228,863	$ (2,541)	$486,504
Revenue								
Interest income	**$ 10,552**	**$ 5,767**	**$ (177)**	**$ 16,142**	$ 8,924	$ 5,402	$ (171)	$ 14,155
Other income	**1,052**	**1,250**	**—**	**2,302**	482	1,541	—	2,023
	11,604	**7,017**	**(177)**	**18,444**	9,406	6,943	(171)	16,178
Expenses								
Interest	**5,635**	**2,455**	**(177)**	**7,913**	3,216	1,942	(171)	4,987
General and administrative	**5,090**	**3,425**	**—**	**8,515**	4,502	2,792	—	7,294
Provision for (recovery of) expected credit losses	**1,138**	**(672)**	**—**	**466**	29	64	—	93
Depreciation	**71**	**82**	**—**	**153**	68	90	—	158
Business acquisition expenses	**—**	**34**	**—**	**34**	—	32	—	32
	11,934	**5,324**	**(177)**	**17,081**	7,815	4,920	(171)	12,564
Earnings (loss) before income tax	**(330)**	**1,693**	**—**	**1,363**	1,591	2,023	—	3,614
Income tax expense (recovery)	**(124)**	**(423)**	**—**	**(547)**	443	5	—	448
Net earnings (loss)	**(206)**	**2,116**	**—**	**1,910**	1,148	2,018	—	3,166
Net earnings (loss) attributable to non-controlling interests in subsidiaries	**—**	**(107)**	**—**	**(107)**	—	28	—	28
Net earnings (loss) attributable to shareholders	**$ (206)**	**$ 2,223**	**$ —**	**$ 2,017**	$ 1,148	$ 1,990	$ —	$ 3,138

23. 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. Credit risk arises with respect to loans and other financial transactions with clients, the guarantee of managed receivables, and any other financial transaction with a counterparty that the Company deals with.

The gross amount of loans ($450 million) and managed receivables ($5 million) represents the Company's maximum credit exposure as of the reporting dates and is the most significant measurable risk that it faces.

The nature of the Company's asset-based lending business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. The Company often owns the factored receivables that it finances. The Company does not take title to the managed receivables as it does not lend against them, but it assumes the credit risk from the client in respect of these receivables.

In its asset-based lending business, the Company makes loans that are secured against various forms of collateral. The collateral is generally first ranking security on the client's assets which typically comprise receivables, inventory, equipment and real estate, or a guarantee from a counterparty. The Company provides an expected credit loss allowance on its finance receivables and loans based on the estimated credit risk. There were no significant changes in the quality of collateral or changes to the Company's collateral policy during the three months ended March 31, 2023 and 2022.

At March 31, 2023, the Company had impaired loans of $13,585,000 (December 31, 2022 – $18,969,000, March 31, 2022 – $1,536,000), while, at that date, it held collateral for these loans with an estimated net realizable value of $11,515,000 (December 31, 2022 – $17,817,000, March 31, 2022 – $1,536,000). These impaired loans were mainly secured by receivables, inventory, and/or equipment. There were no Stage 3 (impaired) managed receivables at March 31, 2023 and 2022.

Credit approval for transactions supported by management in the Company's six operating businesses is delegated to a staff of senior credit officers within each business. Transactions in excess of $1.0 million (US$1.0 million U.S. Group companies), are approved by the Company's SVP, Underwriting and Portfolio Risk in consultation with the Corporate Credit Committee. Transactions in excess of $2.5 million (US$2.5 million in the case of U.S. group companies) are approved by the Credit Committee of the Board of Directors which comprises three members of its Board. 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 risk is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. For its factoring products, the Company's 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 the invoice date. 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 older receivables.

Asset-based lending products additionally require focus on the performance of other collateral types (inventory, equipment and in certain cases real estate) as well as the underlying cash flows of the borrower. AFCC's and AEF's lease receivables and equipment and working capital loans are usually structured as term loans with payments spread out evenly over the term of the lease or loan, with terms up to 60 months. AFCC also has a revolving equipment loan product which has no fixed repayment terms and can be repaid at any time.

The Company uses an internal credit risk rating system for assessing obligor and transaction risk for finance receivables and loan exposures. Risk rating models use internal and external data to assess and assign credit ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. In its credit protection and receivables management business, The Company employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Please see note 5 which presents the Company's finance receivables and loans and managed receivables by the three stage credit criteria of IFRS 9, as well as an aged analysis thereof. Credit risk is managed by ensuring that, as far as possible, the receivables financed are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. Collateral is monitored and managed on an ongoing basis to mitigate credit risk. In its asset-based lending operations and equipment finance operations, the Company assesses the financial strength of its clients and its clients' customers and the industries in which they operate on a regular and ongoing basis. Cash flows from a client's ongoing business operations represent the primary source of repayment.

The Company also manages credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it finances. In its asset-based lending operations, the Company administers and collects the majority of its clients' receivables allowing it to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. Regular field examinations are conducted to verify collateral such as inventory and equipment. In the Company's Canadian small business finance operations, AFCC, security deposits are usually obtained in respect of equipment leases or loans, while a majority of ASBF's working capital loans have the benefit of a strong financial guarantor guaranteeing up to 80% of the loan balance in the event of a loss.

In the Company's credit protection and receivables management business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. All customer credit in excess of $2.5 million is approved by the Credit Committee of the Board on a case-by-case basis. At March 31, 2023, the Company had guaranteed two customer's accounts receivable in excess of $5 million.

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

	March 31, 2023		March 31, 2022	
Industrial sector (in $000's)	**Gross finance receivables and loans**	**% of Total**	Gross finance receivables and loans	% of Total
Media	**$ 95,524**	**21.2**	$ 86,497	19.0
Manufacturing	**69,061**	**15.3**	85,861	18.9
Wholesale and distribution	**54,904**	**12.2**	41,715	9.2
Finance and Insurance	**40,256**	**8.9**	47,881	10.6
Construction	**31,951**	**7.1**	22,698	5.0
Waste Management and Remediation Services	**30,193**	**6.7**	18,821	4.2
Transportation and Warehousing	**28,938**	**6.4**	35,407	7.8
Mining	**25,346**	**5.6**	30,434	6.7
Retail Trade	**24,003**	**5.3**	15,069	3.3
Accommodation and food services	**10,837**	**2.4**	6,989	1.5
Professional, Scientific, and Technical Services	**9,861**	**2.2**	19,551	4.3
Real Estate Rental and Leasing	**8,407**	**1.9**	12,963	2.9
Other	**20,977**	**4.8**	30,007	6.6
	$ 450,258	**100.0**	$ 453,893	100.0

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

	March 31, 2023		March 31, 2022	
(in $000's)	**Managed receivables**	**% of Total**	Managed receivables	% of Total
Wholesale and distribution	**$ 5,293**	**100**	$12,303	100
	$ 5,293	**100**	$ 12,303	100

As set out in notes 3(d) and 5, the Company maintains separate allowances for expected losses on both loans and its guarantee of managed receivables in accordance with IFRS 9. The allowances for expected losses are based on statistical models, including the impact of FLI based on several macroeconomic forecast scenarios. The allowances for expected losses is deemed sufficient based on the results of the expected loss modeling and experienced credit judgment.

b) Liquidity risk:

The Company's financial assets and liabilities at March 31, 2023 by maturity date were as follows:

(in thousands)	0 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash	$ 11,819	$ 920	$ 237	$ —	$ —	$ —	$ 12,976
Finance receivables and loans	252,996	107,404	57,394	25,393	7,019	52	450,258
All other assets	13,193	—	—	—	—	—	13,193
	$ 278,008	$ 108,324	$ 57,631	$ 25,393	$ 7,019	$ 52	$ 476,427
Financial liabilities							
Due to clients	$ 59	$ —	$ —	$ —	$ —	$ —	$ 59
Bank indebtedness	1,332	—	224,605	—	—	—	225,937
Loans payable	16,542	76,887	4,731	—	—	—	98,160
Notes payable	8,484	—	10,500	—	—	—	18,984
Convertible debentures	25,505	—	—	—	—	—	25,505
All other liabilities	11,067	43	289	—	—	—	11,139
	$ 62,989	$ 76,930	$ 239,865	$ —	$ —	$ —	$ 379,784

The Company's financial assets and liabilities at March 31, 2022 by maturity date were as follows:

(in thousands)	0 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash	$ 11,417	$ 950	$ 882	$ 690	$ 358	$ —	$ 14,297
Finance receivables and loans	236,631	86,508	91,444	35,903	3,338	—	453,824
All other assets	1,323	—	—	—	—	—	1,323
	$ 249,371	$ 87,458	$ 92,326	$ 36,593	$ 3,696	$ —	$ 469,444
Financial liabilities							
Due to clients	$ 1,448	$ —	$ —	$ —	$ —	$ —	$ 1,448
Bank indebtedness	185,800	—	—	—	—	—	185,800
Loans payable	20,944	78,453	17,636	13,809	7,150	—	137,992
Notes payable	18,167	—	—	—	—	—	18,167
Convertible debentures	—	24,775	—	—	—	—	24,775
All other liabilities	10,524	151	119	83	89	—	10,966
	$ 236,883	$ 103,379	$ 17,755	$ 13,892	$ 7,239	$ —	$ 379,148

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and support business growth. 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 come 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, loans payable, notes payable, convertible debentures, due to clients, and accounts payable and other liabilities. At March 31, 2023, revolving credit lines and a term facility totalling approximately $539 million (March 31, 2022 - $526 million) had been established with a syndicate of banks, as well as non-bank lenders. The revolving facilities bear interest varying with the Canadian or U.S. prime rate or SOFR, while the term loan carries a fixed rate of interest of 3.55%.

At March 31, 2023, the Company had borrowed $324,000,000 (December 31, 2022 – $323,000,000, March 31, 2022 – $324,000,000) against these facilities. These facilities are collateralized primarily by finance receivables and loans to clients.

Notes payable of $8,484,000, are due on, or within a week of demand, while term notes totalling $10,500,000 are repayable at various dates the latest of which is July 31, 2025 (see note 13(a)). Notes payable are to individuals or entities and consist of advances from shareholders, directors, management, employees, other related individuals and third parties. At March 31, 2023, 86% (2022 – 88%) of these notes were due to related parties and 14% (2022 – 12%) to third parties. The Company's convertible debenture liability was $25,505,000 at March 31, 2023 (2022 - $24,775,000). These debentures mature on December 31, 2023. Due to clients principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a week of receipt. Accounts payable and other liabilities comprise a number of different obligations, the majority of which are payable within six months. At March 31, 2023, the Company had gross finance receivables and loans totalling $450,258,000 (December 31, 2022 – $452,678,000, March 31, 2022 – $453,824,000) which substantially exceeded its total liabilities of $381,339,000 at that date (December 31, 2022 – $385,149,000, March 31, 2022 – $380,880,000). The Company's receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

c) Market risk:

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

d) Currency risk:

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally finance receivables and loans, cash, bank indebtedness, due to clients and notes payable. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At March 31, 2023, the Company's unhedged foreign currency positions in its Canadian operations totalled $170,000 (2022 – $170,000).

The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a 1% change in the value of the Company's foreign currency holdings against the Canadian dollar would not have a material impact on the Company's net earnings.

e) Interest rate risk:

Interest rate risk pertains to the risk of loss due to the volatility of interest rates. The Company's lending and borrowing rates include both fixed and floating rates. The Company manages its interest rate exposure where possible, through the use of securitization or other match funding strategies. If the Company's floating rate borrowings exceeds its floating rate finance receivables and loans, the Company could be exposed to fluctuations in interest rates, such that an increase in floating interest rates could increase the Company's interest expense beyond its ability to pass the increase on to its clients.

The following table shows the interest rate sensitivity gap at March 31, 2023:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	3 to 5 years	Thereafter	Non-rate sensitive	Total
Assets							
Cash and restricted cash	$ 1,549	$ 4,417	$ 1,157	$ —	$ —	$ 5,853	**$ 12,976**
Finance receivables and loans, net	154,101	136,655	127,037	32,413	51	(7,440)	**442,817**
All other assets	—	8,463	—	—	—	24,968	**33,431**
	$ 155,650	$ 149,535	$ 128,194	$ 32,413	$ 51	$ 23,381	**$ 489,224**
Liabilities							
Due to clients	$ —	$ —	$ —	$ —	$ —	$ 59	**$ 59**
Bank indebtedness	8,332	217,487	—	—	—	118	**225,937**
Loans payable	—	16,542	81,618	—	—	—	**98,160**
Notes payable	8,484	—	10,500	—	—	—	**18,984**
Convertible debentures	—	25,505	—	—	—	—	**25,505**
All other liabilities	—	1,530	42	28	—	11,093	**12,693**
Equity	—	—	—	—	—	107,886	**107,886**
	16,816	261,064	92,160	28	—	119,156	**489,224**
	$ 138,834	$ (111,529)	$ 36,034	$ 32,385	$ 51	$ (95,775)	**$ —**

At March 31, 2023, the Company's floating rate and short-term liabilities (primarily bank indebtedness), net of unrestricted cash, exceed the Company's floating rate assets by $96 million. Additional assets maturing in less than twelve months, if not redeployed in new loans, would be used to pay down bank indebtedness, thus narrowing the sensitivity gap over the year. Furthermore, a portion of BondIt's interest rate exposure is attributable to its minority shareholders.

Based on the Company's interest rate positions at March 31, a 100 basis point rise in interest rates would decrease pre-tax earnings by approximately $539,000 over a twelve-month period. A 100 basis point decrease in interest rates would add a similar amount to pre-tax earnings.

24. Capital disclosure:

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. To manage 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 a normal course issuer bid, issue new shares or debt, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to total equity and its total equity to total assets. At March 31, 2023, these ratios were 3.42x (December 31, 2022 – 3.44x, March 31, 2022 – 3.47x) and 0.22 (December 31, 2022 – 0.22, March 31, 2022 – 0.22), respectively. The Company's debt and leverage will usually rise with an increase in finance receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. At March 31, 2023, the Company is required to maintain a senior debt to TNW ratio of less than 4.0 on its syndicated bank facility. BondIt, which has entered into a loan facility with a non-bank lender, is required to maintain a TNW of at least US$5,000,000. There were no changes in the Company's approach to capital management from previous periods.

25. Subsequent events:

At May 5, 2023, there were no subsequent events occurring after March 31, 2023 that required disclosure or adjustments to the financial statements.

Board of Directors

David Beutel, Toronto, Ontario [1, 3, 4]
Burt Feinberg, New York, New York [3]
Simon Hitzig, Toronto, Ontario
Jean Holley, Alpharetta, Georgia [2]
Gary Prager, Wake Forest, North Carolina [1, 3]
David Spivak, Vancouver, British Columbia [1]
Stephen D. Warden, Oakville, Ontario [1, 2]

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Credit Committee
(4) Chairman of the Board

Officers

Simon Hitzig, President & CEO
Irene Eddy, Senior Vice President, Chief Financial Officer
Cathy Osborne, Senior Vice President, Human Resources
Todd Eubanks, Senior Vice President, Underwriting and Portfolio Risk

Subsidiaries

Accord Financial Ltd.
Simon Hitzig, President
Accord Financial Inc.
Jason Rosenfeld, President
Accord Financial, Inc.
Jim Hogan, President
Accord Small Business Finance
James Jang, President
Accord Equipment Finance
Jim Hogan, President
BondIt Media Capital
Matthew Helderman, President

Auditors

KPMG LLP

Stock Exchange Listings

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

Bankers

Bank of Montreal
The Bank of Nova Scotia
Canadian Imperial Bank of Commerce
HSBC Bank Canada
Regions Bank
M&T Bank
The Toronto-Dominion Bank

Registrar & Transfer Agent

Computershare Trust Company of Canada

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