ACCORD
FINANCIAL

Forward Together

2021 SECOND QUARTER REPORT

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 and six months ended June 30, 2021 together with comparative figures for the same period of 2020. 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.

Revenue increased by 37% to a quarterly record $15,416,000 in the second quarter of 2021 compared to $11,270,000 last year mainly as a result of higher funds employed and increased other income.

Net earnings attributable to the Company's shareholders ("shareholders' net earnings") were a strong $3,085,000 in the second quarter of 2021 compared to the record $4,343,000 in last year's second quarter. Shareholders' net earnings were 19% ahead of the first quarter of 2021 and represented Accord's fourth best ever quarterly earnings as it continues to recover from the adverse economic impacts of Covid-19. Second quarter 2020 net earnings were boosted by a substantial loan loss recovery of $2,615,000, net of tax, and a one-time income tax recovery of $881,000. Earnings Per Share ("EPS") this quarter were 36 cents compared to a record 51 cents in the second quarter of 2020.

Adjusted net earnings, which comprises net earnings attributable to shareholders before non-operating stock-based compensation, restructuring expenses and business acquisition expenses (namely business transaction costs and amortization of intangibles), totalled $3,161,000 in the second quarter of 2021 compared to $4,730,000 in the second quarter of 2020. Adjusted EPS, based on adjusted net earnings, were 37 cents in the current quarter compared to 55 cents last year.

June 30th marked one full year since Accord's pandemic-induced low point, measured by the size of the overall loan portfolio. The Company's total funds employed (finance receivables and loans) at June 30, 2021 reached a record $406 million, up 28% from $317 million at the end of the second quarter 2020. The loan portfolio previously crossed the $400 million mark in the fall of 2019, only to be dragged back down by the pandemic.

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This time we may finally have the wind at our backs. Average funds employed in the first six months were $371 million compared with $352 million last year. Shareholders' equity was $94 million at June 30, 2021 compared to $91 million at June 30, 2020. Book value per share continues to climb, reaching $10.96 versus $10.61 a year ago.

Accord's growth during the second half of 2020 mostly reflected the slow rebuild by existing clients as they recovered from the early days of the pandemic. In contrast, growth in the first half of 2021 reflects the steady acquisition of new clients, in part driven by new products, and in part by the accelerating economy. This strong performance is consistent with the growth trajectory Accord had been on in the three years leading up to the pandemic. As I wrote in the first quarter report, with the pandemic subsiding and the economy shifting into gear: it's *game on* for Accord.

Driven by loan portfolio growth, improving yields and non-interest income, revenue in the first half of the year hit $28.8 million, up 24% over the same period last year – a record first half for Accord. Net earnings, which were negative in the first half of 2020, came in at $5.7 million for the same period this year, translating to earnings per share of 66 cents, also a first half record. Adjusted net earnings of $5.8 million brought first half adjusted EPS to 68 cents.

Revenue and earnings are benefiting from a shift in Accord's portfolio mix, which in the past several quarters is skewing towards higher yielding segments, including our Canadian small business division and US-based media finance division. While the new business pipelines are starting to build within our asset-based and equipment finance divisions, our Canadian small business finance and US-based media finance divisions are turning in record growth and profits. In Canada, the extension by Export Development Canada of its Business Credit Availability Program provides runway for Accord's unique pandemic loan program to grow through to the end of 2021, supporting small businesses as they invest in reopening and a return to growth. In the US, BondIt Media Capital continues to see unprecedented deal flow, as we are perfectly positioned to capture the long-term secular growth of video on demand, satisfied by a tidal wave of content generated with increasingly smaller budgets.

It is worth noting that Accord's allowance for loan losses, which is an estimate of expected future loan losses, has eased down to $5.8 million at the end of the second quarter, compared to $6.7 million at the same time last year. This now sits at 1.43% of the loan portfolio, compared to 2.10% at this time last year. This move reflects the improvement in credit standing across the loan portfolio, as well as the more constructive business and economic environment we're now operating in. The year-over-year reduction in the allowance has had a modest positive effect on the Company's earnings year-to-date, which most likely won't be repeated in future quarters.

While financial performance is gratifying, we continue to embrace the hard work defined in our strategic plan, which aims to bring all divisions of Accord onto a unified platform, stronger together, with a singular commitment to simplify access to capital so our clients can thrive. At the time of writing, we are rolling out a unified Sales force platform, beautifully designed to inspire collaboration, sales performance, and ultimately, seamless service to our clients and referral networks. This follows on the launch of our reimagined website, and the upcoming overhaul of our various loan management systems. By year-end, we will have a technology platform designed to fulfill our mission, reduce friction along the entire client lifecycle, and scale easily as we grow the company.

The stress of the pandemic – on the economy, our clients, and our company – was a true test of our business model. Not only did we pass the test, Accord emerged stronger than ever. The Company's record funds employed, revenue and first half earnings validated our approach to navigating fast-moving market dynamics, and the strength of our underwriting. With four strong quarters in a row, we also now have a taste of the success we can achieve as our strategic plan unfolds.

The Company's Board of Directors recently declared a quarterly dividend of 5 cents per common share, payable September 1, 2021 to shareholders of record August 16, 2021.

Simon Hitzig
President and Chief Executive Officer
August 4, 2021

FINANCIAL HIGHLIGHTS

(unaudited, in thousands except average funds employed, earnings per share and book value per share)	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Average funds employed (millions)	**$ 385**	$ 341	**$ 371**	$ 352
Revenue	**15,416**	11,270	**28,897**	23,285
Earnings (loss) before income tax	**4,017**	3,822	**6,951**	(5,089)
Net earnings (loss) attributable to shareholders	**3,085**	4,343	**5,670**	(1,534)
Adjusted net earnings (loss)	**3,161**	4,730	**5,844**	(684)
Earnings (loss) per common share (basic and diluted)	**0.36**	0.51	**0.66**	(0.18)
Adjusted earnings (loss) per common share (basic and diluted)	**0.37**	0.55	**0.68**	(0.08)
Book value per share (June 30)			**10.96**	10.61

OVERVIEW

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter and six months ended June 30, 2021 compared with the quarter and six months ended June 30, 2020 and, where presented, the quarter and six months ended June 30, 2019. 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 August 4, 2021, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarter and six months ended June 30, 2021 and 2020, which are included as part of this 2021 Second Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2020 audited consolidated financial statements and notes thereto included in the Company's 2020 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 2021 Second Quarter Report are defined as follows:

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

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

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

iv) **Average funds employed** – Funds employed is another name that the Company uses for its finance receivables and loans (also referred to as "Loans" in this

MD&A), an IFRS measure. Average funds employed are the average finance receivables and loans calculated over a particular period; and

v) **Financial condition and leverage ratios** – The table on page 20 presents the following percentages: (i) total equity expressed as a percentage of total assets; (ii) tangible equity (total equity less goodwill, intangible assets and deferred taxes) expressed as a percentage of total assets; and (iii) debt (bank indebtedness, loan payable, notes payable and convertible debentures) expressed as a percentage of total equity. These percentages provide information on trends in the Company's financial condition and leverage.

ACCORD'S BUSINESS

Accord is one of North America's leading independent commercial finance companies serving clients throughout the United States and Canada. Accord's flexible finance programs cover the full spectrum of asset-based lending ("ABL"), from receivables and inventory finance, to equipment and trade finance, to film and media finance, as well as working capital loans and supply chain financing. 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 22(a) to the Statements.

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

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

QUARTERLY FINANCIAL INFORMATION

(unaudited, in thousands except earnings per share)

	Quarter ended	Revenue	Net earnings	Earnings Per Common Share*
2021	**June 30**	**$ 15,416**	**$ 3,085**	**$ 0.36**
	March 31	**13,480**	**2,585**	**0.30**
2020	December 31	$ 12,903	$ 1,384	$ 0.16
	September 30	12,312	566	0.07
	June 30	11,270	4,343	0.51
	March 31	12,015	(5,876)	(0.69)
Fiscal 2020		$ 48,501**	$ 417	$ 0.05
2019	December 31	$ 14,297	$ (658)	$ (0.08)
	September 30	15,299	3,237	0.38
	June 30	13,991	2,222	0.26
	March 31	12,588	1,643	0.19
Fiscal 2019		$ 56,175	$ 6,444	$ 0.76**

** basic and diluted*

*** due to rounding the total of the four quarters does not agree with the total for the fiscal year*

RESULTS OF OPERATIONS

Quarter ended June 30, 2021 compared with the quarter ended June 30, 2020

Shareholders' net earnings for the quarter ended June 30, 2021 decreased by 29% or $1,258,000 to $3,085,000 compared to the record $4,343,000 earned last year but were 39% or $863,000 higher than the $2,222,000 earned in the second quarter of 2019. Shareholders' net earnings declined compared to the second quarter of 2020 mainly on a higher provision for losses and increased income tax. Shareholders net earnings represented the Company's fourth best ever quarterly earnings as it continues to recover from the adverse economic impacts of Covid-19. 2020 shareholders' net earnings were boosted by a loan loss recovery of $2,615,000, net of tax, and a one-time income tax recovery of $881,000. Shareholders' net earnings increased compared to 2019 on higher revenue and a lower provision for losses. Basic and diluted earnings per common share ("EPS") decreased to 36 cents compared to 51 cents in the second quarter of 2020 but were 38% higher than the 26 cents in second quarter of 2019.

Adjusted net earnings declined to $3,161,000 in the second quarter of 2021 compared to $4,730,000 last year but were 32% higher than the $2,397,000 earned in the second quarter of 2019. Adjusted EPS were 37 cents compared to 55 cents in the second quarter of 2020 and 28 cents in the second quarter of 2019. The following table provides a reconciliation of shareholders' net earnings to adjusted net earnings:

Quarter ended June 30 (in thousands)	**2021**	2020	2019
Shareholders' net earnings	**$ 3,085**	$ 4,343	$ 2,222
Adjustments, net of tax:			
Business acquisition expenses	**76**	56	133
Restructuring expenses	**—**	331	—
Stock-based compensation expense	**—**	—	42
Adjusted net earnings	**$ 3,161**	$ 4,730	$ 2,397

Revenue rose by 37% or $4,146,000 to $15,416,000 in the second quarter compared to $11,270,000 last year and was $1,425,000 or 10% higher than the $13,991,000 in the second quarter of 2019. Interest income rose by $2,176,000 or 21% to $12,582,000 compared to $10,406,000 last year on a 13% increase in average funds employed and a 7% rise in average loan yields. Yields mainly rose on an increased proportion of higher yielding funds employed at ASBF and BondIt. Other income rose by $1,970,000 to $2,835,000 compared to $865,000 last year mainly due to increased origination and set up fees earned. Interest income in the current quarter increased by $235,000 or 2% compared to the second quarter of 2019 on a 3% rise in average loan yields. Other income in the current quarter was $1,192,000 higher compared to 2019 for reasons noted above. Average funds employed in the second quarter of 2021 increased by 13% to $385 million compared to $341 million last year but were slightly lower than the $388 million in 2019.

Total expenses increased by 53% or $3,951,000 to $11,399,000 in the second quarter of 2021 from $7,448,000 last year. The provision for credit and loan losses, G&A, interest expense, and business acquisition expenses rose by $3,175,000, $726,000, $30,000 and $26,000, respectively. Depreciation declined by $6,000.

Interest expense rose slightly to $3,605,000 in the second quarter of 2021 from $3,575,000 last year on 3% higher average borrowings partly offset by lower average interest rates.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. G&A increased by $726,000 in the current quarter compared to last year mainly due to higher marketing costs and commissions associated with the generation of new business related to the Company's recently introduced pandemic loan program, AccordExpress. Personnel costs declined by $119,000 on lower restructuring costs and reduced head count. The Canadian Emergency Wage Subsidy ("CEWS") totalling $146,000 (2020 – $487,000) was received in the second quarter of 2021, as well as the Canadian Emergency Rent Subsidy ("CERS") totalling $50,000 (2020 – nil). The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses increased by $3,175,000 to $220,000 compared to a recovery of $2,955,000 last year. The provision comprised:

Quarter ended June 30 (in thousands)	**2021**	2020
Net write-offs (recoveries)	**$ 117**	$ (1,979)
Reserves expense (recovery) related to change in total allowances for losses	**103**	(976)
	$ 220	$ (2,955)

Net write-offs increased by $2,096,000 to $117,000 in the second quarter of 2021 compared to a recovery of $1,979,000 last year. In the second quarter of 2020, the net write-offs recovery resulted from the recovery of $3,523,000 from one account which was written off in 2019. The non-cash reserves increased by $1,079,000 to an expense of $103,000 compared to a recovery of $976,000 last year as a result of higher funds employed. The Company's allowances for 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.

Depreciation expense decreased by $6,000 to $178,000 in the second quarter of 2021. Depreciation of $110,000 (2020 – $112,000) was charged on the Company's right-of use assets in second quarter of 2021, while the balance of the expense related to capital assets.

Business acquisition expenses in the second quarter of 2021 totalled $102,000 (2020 – $76,000). Transaction costs of $71,000 (2020 – nil) were incurred, while the amortization of intangible assets totalled $31,000 (2020 – $76,000).

Income tax rose by $1,331,000 to an expense of $426,000 in the current quarter compared to a recovery of $905,000 last year. 2020'S income tax included a one-time income tax recovery of $881,000 related to a temporary Covid-19 tax change.

Canadian operations reported a rise in shareholders' net earnings in the second quarter of 2021 compared to 2020 (see note 21 to the Statements). Shareholders' net earnings rose by $765,000 to $872,000 compared to $107,000 last year. Revenue increased by $2,764,000 or 59% to $7,446,000. Expenses increased by $1,524,000 or 32% to $6,324,000. G&A increased by $1,522,000, while the provision for credit and loan losses rose by $380,000 to $276,000. Interest expense, business acquisition expenses and depreciation declined by $336,000, $40,000 and $2,000, respectively. Income tax increased by $475,000 to an expense of $250,000 on higher pre-tax earnings.

U.S. operations reported a decline in shareholders' net earnings in the second quarter of 2021 compared to 2020 (see note 21 to the Statements). Shareholders' net earnings declined by $2,023,000 to $2,213,000 compared to $4,236,000 last year. Revenue increased by $1,400,000 or 21% to $8,080,000. Expenses increased by $2,445,000 or 89% to $5,185,000. The provision for credit and loan losses, interest expense, business acquisition expenses increased by $2,795,000, $384,000 and $67,000, respectively, while G&A and depreciation decreased by $797,000 and $4,000, respectively. Income tax rose by $856,000 to an expense of $176,000 mainly on the absence of the one-time tax recovery this year. Net earnings attributable to non-controlling interests in subsidiaries rose to $506,000 compared to $384,000 in the second quarter of 2020.

Six months ended June 30, 2021 compared with six months ended June 30, 2020

Shareholders' net earnings for the first half of 2021 were a record $5,670,000 compared to a loss of $1,534,000 in the first half of 2020 and the $3,865,000 earned in first half of 2019. Shareholders' net earnings increased compared to 2020 mainly as a result of higher revenue and a lower provision for credit and loan losses, while shareholders' net earnings were higher compared to 2019 mainly as a result of higher revenue, lower interest expense and reduced income taxes. In 2020, the severe deterioration in economic activity due to Covid-19 significantly impacted the Company's revenue and also increased its provisions for losses resulting in the above noted loss. Basic and diluted EPS were 66 cents compared to a loss per common share ("LPS") of 18 cents in the first half of 2020 and EPS of 46 cents in the first half of 2019. ROE in the first six months of 2021 was 12.5% (2020: negative 3.4%).

Adjusted net earnings were a first half record $5,844,000 compared to an adjusted net loss of $684,000 in the first half of 2020 and adjusted net earnings of $4,213,000 in the first half of 2019. Adjusted EPS were a first half record 68 cent compared to an adjusted LPS of 8 cents in the first half of 2020 and adjusted EPS of 50 cents in the first half of 2019. Adjusted ROE for the first six months of 2021 was 12.9% (2020: negative1.5%). The following table provides a reconciliation of shareholders' net earnings (loss) to adjusted net earnings (loss):

Six months ended June 30 (in thousands)	**2021**	2020	2019
Shareholders' net earnings (loss)	**$ 5,670**	$ (1,534)	$ 3,865
Adjustments, net of tax:			
Business acquisition expenses	**127**	111	264
Restructuring expenses	**47**	739	—
Stock-based compensation expense	**—**	—	84
Adjusted net earnings (loss)	**$ 5,844**	$ (684)	$ 4,213

Revenue for the first half of 2021 rose by $5,612,000 or 24% to a record $28,897,000 compared to $23,285,000 last year. Interest income rose by $2,973,000 or 14% to $24,014,000 compared to $21,041,000 in the first half of 2020 on a 6% increase in average funds employed and an 8% rise in average loan yields. Yields mainly rose on an increased proportion of higher yielding funds employed at ASBF and BondIt. Other income rose by $2.639,000 or 118% to $4.883,000 compared to $2,244,000 in the first half of 2020 mainly due to increased origination and set up fees earned. Average funds employed in the first half of 2021 increased to $371 million compared to $352 million in 2020.

Total expenses for the first half of 2021 decreased by $6,428,000 or 23% to $21,946,000 compared to $28,374,000 last year. The provision for credit and loan losses, interest expense, impairment of assets held for sale, and depreciation decreased by $6,544,000, $689,000, $45,000 and $18,000, respectively. G&A and business acquisition expenses increased by $847,000 and $21,000, respectively.

Interest expense declined by 9% to $6,891,000 compared to $7,580,000 in the first half of 2020 on decreased interest rates and slightly lower average borrowings.

G&A increased by $847,000 or 6% to $14,364,000 in the first half of 2021 compared to $13,517,000 last year. G&A rose mainly for reasons noted above. CEWS totalling $249,000 (2020 – $487,000) and CERS totalling $75,000 (2020 – nil) was received in the first half of 2021. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses declined by $6,544,000 to a recovery of $677,000 in the first half of 2021 compared to an expense of $5,867,000 last year. The provision comprised:

Six months ended June 30 (in thousands)	**2021**	2020
Net write-offs	**$ 180**	$ 2,122
Reserves (recovery) expense related to change in total allowances for losses	**(857)**	3,745
	$ (677)	$ 5,867

Net write-offs decreased by $1,942,000 to $180,000 in the first half of 2021 compared to $2,122,000 last year. Non-cash reserves decreased by $4,602,000 to a recovery of $857,000 from an expense of $3,745,000 last year. Last year's significant provision for losses in large part resulted from to the economic impact of Covid-19. The decrease in the non-cash reserves in 2021, despite a rise in funds employed, mainly resulted from the improving economic environment in both Canada and U.S. and the release of certain allowances for expected credit losses provided for at the end of 2020, while the significant reserve expense in 2020 resulted from the requirement to build additional allowances for expected losses in the first half of that year due to the significant adverse economic impact of Covid-19 at that time.

An impairment charge of $852,000 (2020 – $897,000) was taken against certain assets held for sale in the first half of 2021 to write them down to their estimated net recoverable value ("NRV"). See note 5 to the Statements.

Depreciation expense decreased by $18,000 to $344,000 in the first half of 2021. Depreciation of $216,000 (2020 – $222,000) was charged on the Company's right-of use assets in the first half of 2021, while the balance of the expense related to capital assets.

Business acquisition expenses totalled $171,000 in the first half of 2021 (2020 – $150,000). Transaction costs of $94,000 (2020 – nil) were incurred, while the amortization of intangible assets related to ASBF and AEF totalled $77,000 (2020 – $150,000).

Income tax rose by $4,269,000 to an expense of $508,000 in the first half of 2021 compared to a recovery of $3,761,000 last year. Income tax rose on a $12 million rise in pre-tax earnings and the absence of a one-time tax recovery; there was a one-time $881,000 recovery last year as noted above.

Canadian operations reported shareholders' net earnings of $1,562,000 in the first half of 2021 compared to a shareholders' net loss of $4,631,000 in 2020. Revenue increased by $3,758,000 or 37% to $13,887,000. Expenses decreased by $4,535,000 to $11,888,000. The provision for credit and loan losses declined by $5,181,000 to $242,000, while interest expense, business acquisition expenses and depreciation declined by $1,474,000, $67,000 and $14,000, respectively. G&A and the impairment of assets held for sale increased by $2,061,000 and $140,000, respectively. Income tax increased by $2,100,000 an expense of to $437,000 on an $8,293,000 rise in pre-tax earnings.

U.S. operations reported a $1,011,000 increase in shareholders' net earnings in the first half of 2021 compared to 2020. Shareholders' net earnings increased to $4,108,000 compared to $3,097,000 last year. Revenue rose by $1,844,000 to $15,210,000. Expenses decreased by $1,903,000 to $10,258,000. The provision for credit and loan losses decreased by $1,362,000 to a recovery of $918,000, G&A declined by $1,214,000 to $7,593,000, while the impairment of assets held for sale was lower by $185,000 at $712,000. Interest expense was $775,000 higher at $2,519,000, while business acquisition expenses increased by $88,000. Income tax increased by $2,169,000 to an expense of $71,000. Net earnings attributable to non-controlling interests in subsidiaries rose to $773,000 compared to $206,000 in the first half of 2020.

REVIEW OF FINANCIAL POSITION

Shareholders' equity at June 30, 2021 was $93,788,000, 4% higher than the $89,850,000 at December 31, 2020 and 3% above the $90,790,000 at June 30, 2020. The increase in shareholders' equity since December 31, 2020 resulted from a rise in retained earnings. Book value per common share was $10.96 at June 30, 2021 compared to $10.50 at December 31, 2020 and $10.61 at June 30, 2020. Please also see the consolidated statements of changes in equity on page 34 of this Second Quarter Report.

Total assets were $428,265,000 at June 30, 2021, 11% higher than the $384,913,000 at December 31, 2020 and 20% higher than the $356,156,000 at June 30, 2020. Total assets largely comprised Loans (funds employed). Excluding inter-company loans, identifiable assets located in the United States were 50% of total assets at June 30, 2021 compared to 61% at December 31 and 60% at June 30, 2020 (see note 21 to the Statements).

Gross finance receivables and loans (also referred to as Loans or funds employed), before the allowance for losses thereon, increased by 13% to a record $405,563,000 at June 30, 2021 compared to $360,337,000 at December 31, 2020 and were 30% above the $316,937,000 at June 30, 2020. As detailed in note 4 to the Statements, the Company's Loans comprised:

(in thousands)	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
Receivable loans	**$ 84,962**	$ 100,858	$ 64,972
Other loans*	**226,196**	149,734	139,599
Lease receivables	**94,405**	109,745	112,366
Finance receivables and loans	**405,563**	360,337	316,937
Less allowance for losses	**5,785**	6,314	6,656
Finance receivables and loans, net	**$ 399,778**	$ 354,023	$ 310,281

** Other loans primarily comprise inventory, equipment and working capital loans.*

The Company's receivable loans declined by 16% to $84,962,000 at June 30, 2021 compared to $100,858,000 at December 31, 2020 but were 31% above the $64,972,000 at June 30, 2020. Other loans, which primarily comprise advances against non-receivable assets such as inventory and equipment, as well as working capital loans, rose by 51% to $226,196,000 at June 30, 2021 compared to $149,734,000 at December 31, 2020 and were 62% above the $139,599,000 at June 30, 2020. The increase in other loans largely resulted from substantially higher working capital loans financed by ASBF, particularly AccordExpress loans, and higher media finance loans at BondIt. Lease receivables, representing ASBF's and AEF's net investment in equipment leases, declined by 14% to $94,405,000 at June 30, 2021 compared to $109,745,000 at December 31, 2020 and were 16% below the $112,366,000 at June 30, 2020. Net of the allowance for losses thereon, Loans increased by 13% to $399,778,000 at June 30, 2021 compared to $354,023,000 at December 31, 2020 and were 29% higher than the $310,281,000 at June 30, 2020. The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 60 clients in a wide variety of industries, as well as ASBF's and AEF's lease receivables and equipment and working capital loans to approximately 390 clients, as well as BondIt's loans to approximately 60 media productions. The largest client comprised 4.7% of gross Loans.

In its credit protection and receivables management business, which has been downsized in the last year, 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 $7 million at June 30, 2021 compared to $19 million at December 31, 2020 and $20 million at June 30, 2020. Most of the clients' customers for which the Company assumes the credit risk are from the wholesale and distribution, and retail industries in North America. Given the long-term headwinds in these sectors, the Company made the decision to reduce its portfolio and has been downsizing operations in the past year. Managed receivables comprised the receivables of 10 clients at June 30, 2021. The Company monitors the credit risk related to its managed receivables very closely.

The Company's total portfolio, which comprises both gross Loans and managed receivables, as detailed above, increased by 9% to $413 million at June 30, 2021 compared to $379 million at December 31, 2020 and was 23% above the $337 million at June 30, 2020.

As described in note 22(a) to the Statements, the Company's business principally involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's six operating businesses is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel and management. In the case of credit in excess of $1.0 million (US$1.0 million in the case of AFIU and AEF, and US$500,000 for BondIt), credit is approved by the Company's Executive Credit Committee. Credit in excess of $2.5 million (US$2.5 million in the case of U.S. group companies) is approved by the Credit Committee of the Board of Directors, which comprises three directors. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

In its asset-based lending operations, the Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. ASBF's and AEF's lease receivables and equipment and working capital loans are usually term loans with payments spread out evenly over the term of the lease or loan, which can be up to 60 months, although ASBF has a "revolving" equipment loan product which has no fixed repayment terms and can be repaid at any time. None of the total managed receivables that the Company guarantees payment were past due more than 60 days at June 30, 2021. In the Company's asset-based lending business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on such older receivables.

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

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

As detailed in note 4, the Company had past due finance receivables and loans of $16,699,000 at June 30, 2021, of which $13,743,000 related to BondIt, the Company's media finance subsidiary, while $2,776,000 related to ASBF and $180,000 to AEF. Repayment of BondIt's loans are often delayed for non-credit related reasons such as delays in film production and the sale thereof which is a normal part of its business. BondIt's operations have not been particularly impacted by Covid-19. Of the ASBF loans past due, $2,660,000 are considered to have had a SICR, while the balance is less than 30 days past due and not considered to have had a SICR.

The Company had impaired finance receivables and loans of $2,822,000 at June 30, 2021. The impaired loans, which have been written down to NRV (being fair value less costs of realization) where necessary, are mainly collateralized by receivables, inventory and equipment, the estimated NRV of which was $3,506,000 at June 30, 2021. As the vast majority of the Company's finance receivables and loans are collateralized, past due or impaired accounts do not necessarily lead to a significant expected credit loss ("ECL") depending on the NRV of the collateral security, which often results in a low or no loss given default ("LGD") in respect of these accounts.

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. Although this business is winding down, as noted above, all client and customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. Note 22(a) to the Statements provides details of the Company's credit exposure by industrial sector.

The Company's allowance for losses on Loans, calculated under the ECL criteria of IFRS 9, totalled $5,785,000 at June 30, 2021 compared to $6,314,000 at December 31, 2020 and $6,656,000 at June 30, 2020. This represents management's best estimate of its allowance for loan losses based on information available at those dates. Depending on how long the economic impacts of Covid-19 continue and the timing and nature of any economic recovery, the measurement of the allowance could fluctuate substantially in future periods. See also discussion on loan modifications in note 4. The modifications, which have decreased substantially since March 31, 2020, principally relate to temporary over advances or payment deferrals on accounts totalling $4.5 million that were otherwise in good standing at June 30, 2021 (December 31, 2020 - $18.1 million, June 30, 2020 - $67.8 million). The allowance for losses on the guarantee of managed receivables totalled $131,000 at June 30, 2021 compared to $555,000 at December 31, 2020 and $1,726,000 at June 30, 2020. This significant decrease in the allowance for losses on the guarantee of managed receivables at June 30, 2021 resulted from the reduction in managed receivables and improvement in their risk profile. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in the allowance for losses accounts in the first half of 2021 and 2020 is set out in note 4 to the Statements. The estimates of both allowances for losses are judgmental. Management considers them to be reasonable and supportable.

Assets held for sale totalled $58,000 at June 30, 2021 compared to $1,514,000 at December 31, 2020 and $2,175,000 at June 30, 2020 and comprised certain repossessed assets securing defaulted equipment leases with a number of clients. The decrease compared to December 31, 2020 resulted from asset disposals totalling $623,000 and impairment charges of $852,000. Assets totalling $38,000 were repossessed and included in assets held for sale during the first half of 2021. The remaining assets, which are stated at their NRV at June 30, 2021, are currently being marketed for sale and will be disposed of as market conditions permit. See note 5 to the Statements.

Cash decreased to $3,014,000 at June 30, 2021 compared to $5,546,000 at December 31, 2020 and $14,735,000 at June 30, 2020. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Intangible assets, net of accumulated amortization, totalled $3,117,000 at June 30, 2021 compared to $3,278,000 at December 31, 2020 and $3,646,000 at June 30, 2020. 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 ASBF acquisition on January 31, 2014. These were amortized over a period of 5 to 7 years and, at June 30, 2021, are now fully amortized. Please refer to note 8 to the Statements.

Goodwill totalled $12,928,000 at June 30, 2021 compared to $13,219,000 at December 31, 2020 and $13,977,000 at June 30, 2020. 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. Goodwill of $1,883,000 was also acquired as part of the ASBF acquisition and is carried in the Company's Canadian operations. The goodwill in the Company's U.S. operations is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 7 to the Statements for information regarding the Company's annual goodwill impairment reviews.

Other assets, income taxes receivable, net deferred tax assets, and property and equipment at June 30, 2021 and 2020, and December 31, 2020 were not significant.

Total liabilities increased by $38,802,000 to $329,956,000 at June 30, 2021 compared to $291,154,000 at December 31, 2020 and were $68,776,000 higher than the $261,180,000 at June 30, 2020. The increase since December 31, 2020 mainly resulted from a higher loan payable and increased bank indebtedness.

Amounts due to clients decreased by $569,000 to $2,341,000 at June 30, 2021 compared to $2,910,000 at December 30, 2020 but were $489,000 higher than the $1,852,000 at June 30, 2020. 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 $19,081,000 to $230,021,000 at June 30, 2021 compared to $210,940,000 at December 31, 2020 and was $44,623,000 higher than the $185,398,000 at June 30, 2020. Bank indebtedness increased mainly as a result of higher Loans. The Company's current bank facility totals $367 million with a syndicate of six banks. The Company was in compliance with all loan covenants at June 30, 2021 and 2020, and December 31, 2020. Bank indebtedness principally fluctuates with the quantum of Loans outstanding. The Company renewed its bank facility for a further one-year period on July 26, 2021.

Loan payable increased by $22,850,000 to $44,227,000 at June 30, 2021 compared to $21,377,000 at December 31, 2020 and was $30,120,000 higher than the $14,107,000 at June 30, 2020. The line, which was renewed and increased to US$40,000,000 in May 2021, expires on May 6, 2023. BondIt was in compliance with all loan covenants thereunder during the six months ended June 30, 2021 and 2020. See note 10 to the Statements.

Accounts payable and other liabilities decreased by $2,560,000 to $8,276,000 at June 30, 2020 compared to $10,836,000 at December 31, 2020 and were $3,994,000 lower than the $12,270,000 at June 30, 2020. The decrease since December 31, 2020 mainly resulted from payment of certain employee related liabilities, the payment to a vendor on behalf of a lessee and a decrease in the allowance for losses on the guarantee of managed receivables, a component of other liabilities.

Notes payable increased by $426,000 to $17,860,000 at June 30, 2021 compared to $17,434,000 at December 31, 2020 and were $716,000 higher than the $17,144,000 at June 30, 2020. The increase in notes payable mainly resulted from the issuance of new notes. Please see Related Party Transactions section below and note 11(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 12 to the Statements, which details how the debt and equity components of the convertible debentures were allocated. At June 30, 2021, the debt component totalled $23,823,000 (December 31, 2020 – $23,510,000, June 30, 2020 – $23,211,000), while the equity component totalled $1,005,000 (December 31 and June 30, 2020 – $1,005,000), net of deferred taxes.

Income taxes payable, lease liabilities, deferred income and net deferred tax liabilities at June 30, 2021 and 2020, and December 31, 2020 were not material.

Capital stock totalled $9,448,000 at June 30, 2021 and 2020, and December 31, 2020. There were 8,558,913 common shares outstanding at those dates. Please see note 14(c) to the Statements and the consolidated statements of changes in equity on page 34 of this report for details of changes in capital stock during the first half of 2021 and 2020. At the date of this MD&A, August 4, 2021, 8,558,913 common shares remained outstanding.

Contributed surplus totalled $1,202,000 at June 30, 2021 and 2020, and December 31, 2020. 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 refer to note 14(d) to the Statements. Please see the consolidated statements of changes in equity on page 34 of this report for details of changes in contributed surplus during the first half of 2021 and 2020.

Retained earnings increased by $4,814,000 to $77,939,000 at June 30, 2021 compared to $73,125,000 at December 31, 2020 and were $5,909,000 above the $72,030,000 at June 30, 2020. The increase in 2021 comprised shareholders' net earnings of $5,670,000 less dividends paid of $856,000 (10 cents per common share). Please see the consolidated statements of changes in equity on page 34 of this report for changes in retained earnings during the first half of 2021 and 2020.

The Company's accumulated other comprehensive income ("AOCI") account solely comprises the cumulative unrealized foreign exchange gain arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance totalled $5,199,000 at June 30, 2021 compared to $6,076,000 at December 31, 2020 and $8,109,000 at June 30, 2020. Please refer to note 18 to the Statements and the consolidated statements of changes in equity on page 34 of this report, which details movements in the AOCI account during the first half of 2021 and 2020. The decrease in AOCI balance in the first half of 2021 resulted from a decline in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar declined from $1.2725 at December 31, 2020 to $1.2398 at June 30, 2021. This reduced the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries by $877,000.

Non-controlling interests in subsidiaries totalled $4,521,000 at June 30, 2021 compared with $3,909,000 at December 31, 2020 and $4,186,000 at June 30, 2020. Please see note 19 to the Statements for details thereof and the consolidated statement of changes in equity on page 34 of this report, which details movements in non-controlling interests in the first half of 2021 and 2020.

LIQUIDITY AND CAPITAL RESOURCES

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

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

(as a percentage)	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
Tangible equity / assets	**19%**	20%	22%
Total equity / assets	**23%**	24%	27%
Debt* / total equity	**321%**	291%	253%

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

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

The Company had credit lines totalling approximately $416 million at June 30, 2021 and had borrowed $274 million against these facilities. Funds generated through operating activities and the issuance of notes payable, convertible debentures or other forms of debt or equity decrease the usage of, and dependence on, these lines. Note 22(b) details the Company's financial assets and liabilities at June 30, 2021 by their maturity date.

As noted in the Review of Financial Position section above, the Company had cash balances of $3,014,000 at June 30, 2021 compared to $5,546,000 at December 31, 2020. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Cash flow for the six months ended June 30, 2021 compared with the six months ended June 30, 2020

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $7,628,000 in the first half of 2021 compared to $325,000 last year. After changes in operating assets and liabilities and income tax payments or refunds are taken into account, there was a net cash outflow from operating activities of $47,807,000 in the first half of 2021 compared to an inflow of $75,998,000 last year. The net cash outflow in the first half of 2021 largely resulted from funding gross loans of $50,176,000. In the first half of 2020, the net cash inflow largely resulted from repayment of gross loans of $65,599,000 and proceeds from the disposal of assets held for sale of $5,565,000. 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 35 of this report.

Cash outflows from investing activities totalled $36,000 (2020 – $23,000) in the first half of 2021 and comprised property and equipment additions.

Net cash inflow from financing activities totalled $46,109,000 in the first half of 2021 compared an outflow of $66,220,000 last year. The net cash inflow this quarter resulted from a $23,459,000 increase in loan payable, a $23,292,000 rise in bank indebtedness and the issuance of notes payable, net, of $496,000. Partially offsetting these inflows were dividends paid of $856,000, payment of lease liabilities of $223,000 and a distribution paid to non-controlling interests of $59,000. In the first half of 2020, the net cash outflow resulted from a decrease in bank indebtedness of $64,945,000, notes payable redeemed, net, of $1,968,000, dividends paid of $1,200,000, the repurchase of shares under the Company's normal course issuer bid totalling $264,000, the purchase of an additional 2% interest in AEF from a non-controlling interest for $181,000 and payment of lease liabilities of $189,000. Partially offsetting these outflows was an increase in loan payable totalling $2,527,000.

The effect of exchange rate changes on cash comprised a cash reduction of $798,000 in the first six months of 2021 compared to $1,797,000 in the first six months of 2020.

Overall, there was a net cash outflow of $2,532,000 in the first six months of 2021 compared to an inflow of $7,958,000 in the first six months of 2020.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT JUNE 30, 2021

	Payments due in				
(in thousands)	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter	**Total**
Debt obligations	$ 260,717	$ 24,115	$ —	$ —	**$ 284,832**
Operating lease obligations	574	525	198	69	**1,366**
Purchase obligations	63	15	—	—	**78**
	$ 261,354	$ 24,655	$ 198	$ 69	**$ 286,276**

RELATED PARTY TRANSACTIONS

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. Notes payable comprise demand notes and short-term notes (all due on or before December 31, 2021) as follows: (i) demand notes due on, or within a week of, demand ($1,821,000), which bear interest at rates that vary with bank prime rate or Libor; (ii) short-term BondIt notes ($3,099,000) which are repayable on various dates the latest of which is December 31, 2021 and which bear interest at rates ranging from 8.5% to 11%; and (iii) term notes totalling $12,940,000 which mature on July 31, 2021 and pay a fixed interest rate of 7%; the majority of these notes have been extended for a one year period. Notes payable totalled $17,860,000 at June 30, 2021 compared to $17,434,000 at December 31, 2020 and $17,144,000 at June 30, 2020. Of these notes payable, $14,778,000 (December 31, 2020 – $15,072,000, June 30, 2020 – $14,707,000) was owing to related parties and $3,082,000 (December 31, 2020 – $2,362,000, June 30, 2020 – $2,437,000) to third parties. Interest expense on these notes in the current quarter and first half of 2021 totalled $303,000 (2020 – $301,000) and $598,000 (2020 – $621,000), respectively. Please refer to note 11(a) to the Statements.

The following related parties had notes payable with the Company:

Hitzig Bros., Hargreaves & Co. Inc.*	Directors	C$	$ 4,850,000
Hitzig Bros., Hargreaves & Co. LLC.*	Directors	US$	700,000
Oakwest Corporation Inc.*	Director	C$	3,000,000
Ken Hitzig	Director	C$	3,090,000

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

Accord pays a rate of interest related to Canadian prime (currently it pays 1.95% or 2.45%) on its Canadian dollar unsecured demand notes payable, while its U.S. dollar unsecured demand notes pay a Libor based rate of interest (currently 2.25%). These rates of interest are below the rates that Accord pays on its main banking facility with The Bank of Nova Scotia ("BNS") resulting in interest savings to the Company.

Upon renewal of the BNS facility in 2018, the Company entered into three-year unsecured notes payable maturing July 31, 2021. These term notes are solely with related parties. The renewed credit facility allows these 3-year 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 3.5 x TNW). This created additional borrowing capacity that Accord can utilize at lower credit facility rates of interest, which was the main business purpose thereof. Concurrent with the most recent one-year renewal of the BNS facility on July 26, 2021, the majority of these notes were extended for a one-year period.

FINANCIAL INSTRUMENTS

All financial assets and liabilities, with the exception of derivative financial instruments, the guarantee of managed receivables and the Company's LTIP liability, are recorded at cost. The exceptions noted are recorded at fair value. Financial assets and liabilities, other than the lease receivables and term loans to clients in our equipment and small business finance businesses and lease liabilities, are short-term in nature and, therefore, their carrying values approximate fair values. At December 31, 2020, the Company had entered into forward foreign exchange contracts with a financial institution which had to be exercised by the Company between January 29, 2021 and August 31, 2021 and obliged the Company to sell Canadian dollars and buy US$744,000 at exchange rates ranging from 1.27650 to 1.35930. At June 30, 2021 and 2020, 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 losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic environment, condition of the loan and receivable portfolios, typical industry loss experience, macro-economic factors and forward-looking information. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency, or may result from severe adverse economic conditions as we have seen as a result of Covid-19.

    The Company's allowance for losses on its Loans and its guarantee of managed receivables are provided for under the three stage criteria set out in IFRS 9, where a Stage 1 allowance is established to reserve against 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. In establishing its Stage 1 allowances, the Company applies percentage formulae to its Loans and managed receivables based on its credit risk analysis. The Company's Stage 2 allowances are based on a review of the loan or managed receivable and comprises an allowance for those financial instruments which have experienced a SICR since initial recognition. Lifetime ECL are recognized for all Stage 2 financial instruments. Stage 3 financial instruments are those that the Company has classified as impaired. The Company classifies a financial instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. The Company also refers to these accounts as "workout" accounts. Lifetime ECL are recognized for all Stage 3 financial instruments. In Stage 3, financial instruments are written-off, either partially or in full, against the related allowance for losses when the Company judges that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net recoverable value. Any subsequent recoveries of amounts previously written-off are credited to the respective allowance for losses. Management believes that its allowances for losses, which require a high degree of reasonable and supportable expert 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), 4 and 22(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.

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

CONTROL ENVIRONMENT

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal Control over Financial Reporting ("ICFR") is a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at June 30, 2021, management evaluated and concluded on the effective design of the Company's DC&P and ICFR and determined that there were no material changes to the Company's ICFR during the three months then ended that materially affected, or were reasonably likely to materially affect, the Company's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate and, as such, there can be no assurance that any design will succeed in achieving its stated goal under all potential conditions.

RISKS AND UNCERTAINTIES THAT COULD AFFECT FUTURE RESULTS

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 22 to the Statements, which discuss the Company's principal financial risk management practices.

Deterioration in Economic and Business Conditions due to Covid-19

The results of the Company may be negatively impacted by various economic factors and business conditions including the level of economic activity in Canada and U.S.A. To the extent that economic activity or business conditions deteriorate, new business may decrease, and loan and credit losses may increase. As the Company's operating subsidiaries extend credit primarily to small businesses, many of our clients or their customers may be particularly susceptible to economic slowdowns and may be unable to make scheduled lease or loan payments during these periods. Deterioration in the economic environment may limit access to credit facilities, and other capital markets or result in a decision by lenders not to extend further credit.

Competition from alternative sources of financing

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

Credit risk, inability to underwrite finance receivables and loan applications

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

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

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

External financing
The Company depends and will continue to depend on the availability of credit from external financing sources, to continue to, among other things, finance new and refinance existing loans and satisfy the Company's other working capital needs. The Company believes that current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet its cash requirements with respect to investments in working capital, operating expenditures and dividend payments, and also provide sufficient liquidity and capital resources for future growth over the next twelve months. However, there is no guarantee that the Company will continue to have financing available to it or if the Company were to require additional financing that it would be able to obtain it on acceptable terms or at all. If any or all of the Company's funding sources become unavailable on terms acceptable to the Company or at all, or if any of the Company's credit facilities are not renewed or re-negotiated upon expiration of their terms, the Company may not have access to the financing necessary to conduct its businesses, which would limit the Company's ability to finance its operations and could have a material adverse impact on it's business, financial condition and results of operations. Please also see comments regarding business conditions due to Covid-19 on page 25.

Deterioration in economic or business conditions; impact of significant events and circumstances
The Company operates mainly in Canada and the United States. The Company's operating results may be negatively affected by various economic factors and business conditions, including the level of economic activity in the markets in which it operates. To the extent that economic activity or business conditions deteriorate, delinquencies and credit losses may increase. As the Company extends credit primarily to small- and medium-sized businesses, many of its customers are particularly susceptible to economic slowdowns or recessions and may be unable to make scheduled lease or loan payments during these periods. Unfavorable economic conditions may also make it more difficult for the Company to maintain new origination volumes and the credit quality of new loans at levels previously attained. Unfavorable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities and other capital markets funding sources or result in a decision by the Company's lenders not to extend further credit. Any of these events could have a material adverse impact on the Company's business, financial condition and results of operations. Please also see comments regarding business conditions due to Covid-19 on page 25.

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

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

could be costly, divert management's attention and resources and have a material adverse impact on the Company's business, financial condition and results of operations.

OUTLOOK

The Company had significant growth in funds employed in the three years through 2019 and entered 2020 firing on all cylinders, focused on its strategic plan aimed at bringing our distinct operating units onto a unified, streamlined platform. From there we looked forward to accelerating Accord's growth trajectory. Then, as the world knows, economic activity was severely impacted in the battle to tame Covid-19. The adverse economic conditions resulting from Covid-19 prevention measures in North America served to reduce the Company's funds employed and revenue in 2020, as well as led to a significantly increased provision for losses. At the time the pandemic arose, all our operating companies were on an upward trajectory in terms of growth in funds employed, although our receivables management business was, after facing intense competition from multinational credit insurers, downsizing.

From the pandemic induced low-point of $317 million of funds employed a year ago (June 30, 2020) funds employed have grown 28% to reach a record $406 million at June 30, 2021. The Company has seen strong growth from its Canadian equipment and small business finance division, ASBF, as well as at BondIt. ASBF, in particular, has seen strong take up of its Export Development Canada backed AccordExpress product. Strong growth is expected to continue at these divisions. More moderate growth is expected to come from the Company's asset-based financing units, AFIC and AFIU, as well as AEF, the Company's U.S. equipment finance division. As noted above, the Company's receivables management business, AFL, has been downsized in the past year. That business provides credit risk management services primarily related to the wholesale and retail industries in Canada. Given the long-term headwinds in those sectors, the Company made the decision to reduce the size of AFL's operations. In recent years AFL's contribution was not financially significant to the Accord group overall.

To support the anticipated increase in funds employed, the Company is supported by a $367 million bank facility, which was recently renewed for a further year and should provide it with the majority of funding needed to support further growth over the next twelve months, as well as the US$40 million non-bank loan facility to BondIt noted above. Today, in the wake of Covid-19, our banking partners continue to be very supportive.

With its substantial capital and borrowing capacity, Accord is well positioned to capitalize on market conditions when they start to improve. The Company knows from experience that economic uncertainty creates tremendous growth opportunities in commercial finance, as certain competitors weaken and the major banks become even more risk averse. Accord has the deepest and most experienced management team that it has ever had, which will enable it to meet increased competition and develop new opportunities in a very competitive and challenging environment.

Stuart Adair
Senior Vice President, Chief Financial Officer
August 4, 2021

ACCORD FINANCIAL CORP.

Consolidated Statements of Financial Position (unaudited)

	June 30, 2021	December 31, 2020	June 30, 2020
Assets			
Cash	**$ 3,013,862**	$ 5,545,951	$ 14,734,921
Finance receivables and loans, net (note 4)	**399,777,696**	354,023,167	310,280,925
Income tax receivable	**1,526,521**	1,842,751	4,152,413
Other assets	**3,664,298**	1,833,242	3,592,253
Assets held for sale (note 5)	**57,819**	1,513,567	2,174,953
Deferred tax assets, net	**2,601,923**	2,002,180	1,548,382
Property and equipment (note 6)	**1,577,766**	1,655,193	2,048,888
Intangible assets (note 8)	**3,117,361**	3,277,744	3,645,900
Goodwill (note 7)	**12,927,530**	13,218,843	13,976,975
	$ 428,264,776	$ 384,912,638	$ 356,155,610
Liabilities			
Due to clients	**$ 2,340,576**	$ 2,909,880	$ 1,852,383
Bank indebtedness (note 9)	**230,021,475**	210,940,174	185,397,740
Loan payable (note 10)	**44,226,885**	21,376,479	14,106,902
Accounts payable and other liabilities	**8,275,708**	10,836,423	12,270,311
Income tax payable	**1,041,531**	1,575,643	1,015,201
Notes payable (note 11(a))	**17,860,022**	17,434,054	17,143,777
Convertible debentures (note 12)	**23,823,052**	23,509,573	23,211,453
Lease liabilities (note 13)	**1,212,878**	1,207,264	1,446,126
Deferred income	**658,439**	761,514	930,868
Deferred tax liabilities, net	**495,435**	602,510	3,805,027
	329,956,001	291,153,514	261,179,788
Equity			
Capital stock (note 14)	**9,448,264**	9,448,264	9,448,264
Contributed surplus (note 14(d))	**1,201,785**	1,201,785	1,201,785
Retained earnings	**77,938,945**	73,124,659	72,030,153
Accumulated other comprehensive income (note 18)	**5,198,754**	6,075,665	8,109,461
Shareholders' equity	**93,787,748**	89,850,373	90,789,663
Non-controlling interest in subsidiaries (note19)	**4,521,027**	3,908,751	4,186,159
Total equity	**98,308,775**	93,759,124	94,975,822
	$ 428,264,776	$ 384,912,638	$ 356,155,610

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 (Loss) (unaudited)

Three and six months ended June 30	Three months 2021	2020	Six months 2021	2020
Revenue				
Interest (note 4)	**$12,581,985**	$10,405,587	**$24,014,204**	$21,041,541
Other income (note 4)	**2,834,561**	864,666	**4,882,713**	2,243,759
	15,416,546	11,270,253	**28,896,917**	23,285,300
Expenses				
Interest	**3,604,844**	3,574,945	**6,891,153**	7,580,016
General and administrative	**7,294,664**	6,569,098	**14,363,783**	13,516,595
Provision for (recovery of) credit and loan losses (note 4)	**219,886**	(2,955,077)	**(676,576)**	5,867,247
Impairment of assets held for sale	**—**	—	**852,464**	897,277
Depreciation	**177,922**	183,738	**344,293**	362,502
Business acquisition expenses:				
Transaction costs	**70,546**	—	**93,958**	—
Amortization of intangible assets	**31,223**	75,647	**76,881**	150,232
	11,399,085	7,448,351	**21,945,956**	28,373,869
Earnings (loss) before income tax	**4,017,461**	3,821,902	**6,950,961**	(5,088,569)
Income tax expense (recovery)	**426,000**	(905,000)	**508,000**	(3,761,000)
Net earnings (loss)	**3,591,461**	4,726,902	**6,442,961**	(1,327,569)
Net earnings attributable to non-controlling interests in subsidiaries	**506,045**	384,211	**772,784**	206,202
Net earnings (loss) attributable to shareholders	**$ 3,085,416**	$ 4,342,691	**$ 5,670,177**	$ (1,533,771)
Basic and diluted earnings (loss) per common share (note 15)	**$ 0.36**	$ 0.51	**$ 0.66**	$ (0.18)

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

Three and six months ended June 30	Three months 2021	2020	Six months 2021	2020
Net earnings (loss)	**$ 3,085,416**	$ 4,342,691	**$ 5,670,177**	$ (1,533,771)
Other comprehensive income (loss):				
Items that are or may be reclassified to profit or loss:				
Unrealized foreign exchange income (loss) on translation of self-sustaining foreign operations (note 18)	**(442,499)**	(1,020,878)	**(876,911)**	1,392,880
Comprehensive income (loss)	**$ 2,642,917**	$ 3,321,813	**$ 4,793,266**	$ (140,891)

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
Balance at January 1, 2020	8,588,913	$ 9,481,382	$ 1,322,575	$ 74,994,381	$ 6,716,581	$ 3,853,224	$ 96,368,143
Comprehensive income (loss)	—	—	—	(1,533,771)	1,392,880	—	(1,490,891)
Dividends paid	—	—	—	(1,199,526)	—	—	(1,199,526)
Shares repurchased for cancellation	(30,000)	(33,118)	—	(230,931)	—	—	(264,049)
Purchase of additional 2% of Accord CapX LLC from a non-controlling interest	—	—	(120,790)	—	—	—	(120,790)
Net loss attributable to non-controlling interests in subsidiaries	—	—	—	—	—	206,202	206,202
Translation adjustment on non-controlling interests	—	—	—	—	—	126,733	126,733
Balance at June 30, 2020	8,558,913	$ 9,448,264	$ 1,201,785	$ 72,030,153	$ 8,109,461	$ 4,186,159	$ 94,975,822
Balance at January 1, 2021	**8,558,913**	**$ 9,448,264**	**$ 1,201,785**	**$ 73,124,659**	**$ 6,075,665**	**$ 3,908,751**	**$ 93,759,124**
Comprehensive income (loss)	**—**	**—**	**—**	**5,670,177**	**(876,911)**	**—**	**4,793,266**
Dividends paid	**—**	**—**	**—**	**(855,891)**	**—**	**—**	**(855,891)**
Distribution to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(58,518)**	**(58,518)**
Net earnings attributable to non-controlling interests in subsidiaries	**—**	**—**	**—**	**—**	**—**	**772,784**	**772,784**
Translation adjustment on non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(101,990)**	**(101,990)**
Balance at June 30, 2021	**8,558,913**	**$ 9,448,264**	**$ 1,201,785**	**$ 77,938,945**	**$ 5,198,754**	**$ 4,521,027**	**$ 98,308,775**

ACCORD FINANCIAL CORP.

Consolidated Statements of Cash Flows (unaudited)

Six months ended June 30	**2021**	2020
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	**$ 6,442,961**	$ (1,327,569)
Items not affecting cash:		
Allowances for losses, net of write-offs and recoveries	**(856,443)**	3,744,866
Deferred income	**(53,435)**	(24,783)
Amortization of intangible assets	**76,881**	150,232
Depreciation of property and equipment	**344,293**	362,502
Impairment of assets held for sale	**852,464**	897,277
Accretion of convertible debentures	**313,479**	283,512
Deferred tax (recovery) expense	**(726,264)**	972,893
Current income tax expense (recovery)	**1,234,264**	(4,733,893)
	7,628,200	325,037
Change in operating assets and liabilities:		
Finance receivables and loans, gross	**(50,176,477)**	65,598,717
Due to clients	**(564,738)**	(601,824)
Other assets	**(1,838,418)**	(1,110,908)
Accounts payable and other liabilities	**(2,077,642)**	3,980,250
Proceeds on disposal of assets held for sale	**623,433**	5,564,798
Income tax (paid) refund, net	**(1,401,767)**	2,241,846
	(47,807,409)	75,997,916
Investing activities:		
Property and equipment additions, net	**(35,631)**	(22,699)
Financing activities:		
Bank indebtedness	**23,291,735**	(64,945,083)
Loan payable	**23,458,835**	2,527,142
Notes payable redeemed, net	**495,56**	(1,968,313)
Dividends paid	**(855,891)**	(1,199,526)
Distribution to non-controlling interests	**(58,518)**	—
Repurchase and cancellation of shares	**—**	(264,049)
Purchase of 2% of Accord CapX LLC from a non-controlling interest	**—**	(181,389)
Lease liabilities	**(223,198)**	(188,787)
	46,108,531	(66,220,005)
Effect of exchange rate changes on cash	**(797,580)**	(1,796,713)
(Decrease) increase in cash	**(2.532.089)**	7,958,499
Cash at January 1	**5,545,951**	6,776,422
Cash at June 30	**$ 3,013,862**	$ 14,734,921
Supplemental cash flow information:		
Net cash used in operating activities includes:		
Interest paid	**$ 5,114,070**	$ 5,945,213

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, equipment and inventory financing, leasing, working capital financing, credit investigation, credit protection and receivables management, to industrial and commercial enterprises, principally in Canada and the United States. The Company's registered office is at 40 Eglinton Avenue East, Suite 602, Toronto, Ontario, Canada.

2. Basis of presentation and statement of compliance:

These condensed interim unaudited consolidated financial statements ("Statements") are expressed in Canadian dollars, the Company's functional and presentation currency, and are prepared in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These Statements do not include all of the information and footnotes required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared using the accounting policies that the Company expects to utilize in its consolidated financial statements for the year ending December 31, 2021, the more significant of which are detailed in note 3. These accounting policies are based on IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. These Statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2020.

The preparation of the condensed interim unaudited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates that are particularly judgmental relate to the determination of the allowance for losses relating to finance receivables and loans and to the guarantee of managed receivables (notes 3(d) and 4), the carrying value of assets held for sale (note 5), the determination of the valuation of goodwill and intangible assets on acquisition, as well as in the impairment testing thereof (notes 7 and 8), 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 these restrictions are being lifted in stages, significant economic uncertainties persist the expected impact of which require 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 losses, the determination of triggering events for the impairment for 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 an historical cost basis except for the following items which are recorded at fair value:

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

* *a component of accounts payable and other liabilities*

These condensed interim unaudited consolidated financial statements for the three and six months ended June 30, 2021 were approved for issue by the Company's Board of Directors ("Board") on August 4, 2021.

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

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

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

The Company's ECL allowances are measured at amounts equal to either: (i) 12-month ECL (also referred to as Stage 1 ECL) which comprises an allowance for all non-impaired financial instruments which have not experienced a significant increase in credit risk ("SICR") since initial recognition. Stage 1 ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within the twelve-month period after the reporting date; or (ii) lifetime ECL (also referred to as Stage 2 ECL) which comprises allowances for those financial instruments which have experienced a SICR since initial recognition. Significant judgment is required in the application of SICR. The Company 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, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Company expects to receive. The key inputs in the measurement of ECL allowances are as follows: (i) the probability of default (PD) which is an estimate of the likelihood of default over a given time horizon; (ii) the loss given default (LGD) which is an estimate of the loss arising in the case where a default occurs at a given time; and (iii) the exposure at default (EAD) which is an estimate of the exposure at a future default date. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument. Stage 3 financial instruments are those that the Company has classified as impaired. Lifetime ECL are recognized for all Stage 3 financial instruments. 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 losses when we judge that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net realizable value. Any subsequent recoveries of amounts previously written-off are credited to the respective allowance for losses.

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

The Company's LTIP (note 14(g)) contemplates that grants thereunder may be settled in common shares and/or cash. Grants are determined as a percentage of the participants' short-term annual bonus, up to an annual LTIP pool maximum, and are then adjusted up or down based on the Company's adjusted return on average equity over the three-year vesting period of an award. The fair value of the LTIP awards, calculated at each reporting date, is recorded in general and administrative expenses over the awards' vesting period, with a corresponding liability established.

i) Financial assets and liabilities

Financial assets and liabilities are recorded at amortized cost, with the exception of 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. Finance receivables and loans:

As detailed in note 2, there is a high degree of uncertainty relating to the severe adverse economic impact of Covid-19 on the Company's portfolio of finance receivables and loans, and managed receivables, and the requirement to build forward-looking information or conditions into our expected credit loss models under IFRS 9. Since the first quarter of 2020, this resulted in significant increases in the Company's provision for credit and loan losses and allowances for losses, as well as downgrades in internal client credit risk ratings as detailed in notes 4(a) and 4(b) below. We have recently seen certain revisions to the allowance for losses estimates that have resulted in partial recovery of the increased allowances that were set up initially at the onset of Covid-19. Certain payment modifications were also granted as a means of avoiding credit and loan losses.

a) Finance receivables and loans

	June 30, 2021	Dec. 31, 2020	June 30, 2020
Receivable loans	**$ 84,961,342**	$ 100,858,076	$ 64,972,239
Other loans*	**226,196,329**	149,734,115	139,598,896
Lease receivables	**94,405,025**	109,744,976	112,365,790
Finance receivables and loans, gross	**405,562,696**	360,337,167	316,936,925
Less allowance for losses	**5,785,000**	6,314,000	6,656,000
Finance receivables and loans, net	**$ 399,777,696**	$ 354,023,167	$ 310,280,925

** Other loans primarily comprise inventory, equipment, working capital and media finance loans.*

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 credit worthy 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 ASBF and AEF as described in note 3(c). Lease receivables at June 30, 2021 are expected to be collected over a period of up to five years.

In certain cases where a borrower has experienced financial difficulty due to the economic impact of Covid-19, the Company has granted certain modifications to the terms and conditions of a lease or loan. Such modifications may include temporary over advances, payment deferrals, minor extensions of amortization periods, and other modifications intended to minimize credit and loan losses where it is expected the lifetime risk of default of a client is not significant. Finance receivables and loans that were modified as a direct result of COVID-19 at June 30, 2021 totalled $4.5 million (December 31, 2020 – $18.1 million; June 30, 2020 – $68.7 million).

Interest income earned on finance receivables and loans during the quarter ended June 30, 2021 totalled $12,581,985 (2020 – $10,405,587), while interest income earned on finance receivables and loans during the six months ended June 30, 2021 totalled $24,014,204 (2020 – $21,041,541).

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

(in thousands)	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
Less than 1 year	**$ 237,828**	$ 206,934	$ 185,531
1 to 2 years	**79,060**	78,362	75,291
2 to 3 years	**61,224**	57,992	38,888
3 to 4 years	**26,636**	15,038	14,477
4 to 5 years	**815**	2,011	2,750
	$ 405,563	$ 360,337	$ 316,937

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

(in thousands)	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
Current	**$ 386,042**	$ 345,163	$ 303,084
Past due but not impaired:			
Past due less than 90 days	**5,870**	5,238	2,222
Past due 90 to 180 days	**7,694**	1,548	1,429
Past due 180 days or more	**3,135**	5,849	4,098
Impaired loans	**2,822**	2,539	6,104
	$ 405,563	$ 360,337	$ 316,937

The past due finance receivables and loans, especially those past due over 90 days, do not necessarily represent a SICR, which is based on the lifetime risk of default of an account, or an impairment, which may be rebutted where payments are delayed for non-credit related reasons, such as specific industry related reasons or practices as we often see across certain of the Company's lines of business. Of the past due finance receivables at June 30, 2021, $13,743,000 related to BondIt Media Capital ("BondIt"), AFIU's 51% controlled media finance subsidiary, where media productions or the sale thereof are often delayed resulting in payment delays.

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

At June 30, 2021, the estimated net realizable value of the collateral securing the impaired loans totalled $3,506,000 (December 31, 2020 - $3,013,000, June 30, 2020 - $6,376,000). During the first half of 2021, lease receivables totalling $38,000 (see note 5) were transferred to assets held for sale upon default of the leases and recovery of the Company's assets.

The Company maintains internal credit risk ratings on its finance receivables and loans by client which it uses for credit risk management purposes. The Company's internal credit risk ratings are defined as follows:

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

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

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

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

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

(in thousands)	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
Low risk	**$ 85,322**	$ 130,160	$ 99,270
Medium risk	**281,354**	189,225	163,772
High risk	**36,065**	38,413	47,791
Impaired	**2,822**	2,539	6,104
	$ 405,563	$ 360,337	$ 316,937

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

(in thousands)	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
Stage 1	**$ 366,276**	$ 314,111	$ 289,216
Stage 2 (SICR)	**36,465**	43,687	21,617
Stage 3 (Impaired)	**2,822**	2,539	6,104
	$ 405,563	$ 360,337	$ 316,937

Stage 1 finance receivables and loans comprise those accounts in good standing where there has been no SICR since initial recognition. Stage 2 finance receivables and loans comprise those accounts that have experienced a SICR since initial recognition, while Stage 3 finance receivables and loans comprise those accounts which are impaired.

The activity in the allowance for losses on finance receivables and loans account during the first six months of 2021 and 2020 was as follows:

	2021	2020
Allowance for losses at January 1	**$ 6,314,000**	$ 4,520,000
Provision for (recovery of) loan losses	**(235,531)**	3,700,920
Write-offs	**(264,101)**	(5,175,985)
Recoveries	**67,189**	3,537,931
Foreign exchange adjustment	**(96,557)**	73,134
Allowance for losses at June 30	**$ 5,785,000**	$ 6,656,000

The activity in the allowance for losses on finance receivables and loans during the first six months of 2021 by stage of allowance was as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for losses at January 1, 2021	**$ 3,527,040**	**$ 2,786,960**	**$ —**	**$ 6,314,000**
Transfer between stages	**924,177**	**(975,194)**	**51,017**	**—**
Reserves expense (recovery)* related to change in allowance for losses	**(1,147,452)**	**508,014**	**206,995**	**(432,443)**
Foreign exchange adjustment	**(68,930)**	**(21,294)**	**(6,333)**	**(96,557)**
Allowance for losses at June 30, 2021	**$ 3,234,835**	**$ 2,298,486**	**$ 251,679**	**$ 5,785,000**

** a component of the provision for loan losses*

The activity in the allowance for losses on finance receivables and loans during the first six months of 2020 by stage of allowance was as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for losses at January 1, 2020	$ 2,911,016	$ 1,608,984	$ —	$ 4,520,000
Transfer between stages	(549,804)	(612,763)	1,162,567	—
Reserves expense (recovery)* related to change in allowance for losses	2,366,861	858,572	(1,162,567)	2,062,866
Foreign exchange adjustment	57,696	15,438	—	73,134
Allowance for losses at June 30, 2020	$ 4,785,769	$ 1,870,231	$ —	$ 6,656,000

** a component of the provision for loan losses*

There was no Stage 3 allowance for losses at June 30, 2020 as the impaired finance receivables and loans were in respect of accounts where the Company intended to or had actively taken possession of its collateral and was currently or will be liquidating 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 losses thereon reversed.

The nature of the Company's business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. These transactions are conducted on terms that are usual and customary to the Company's asset-based lending activities. The Company controls the credit risk associated with its finance receivables and loans, and managed receivables as discussed below, in a variety of ways. For details of the Company's policies and procedures in this regard, please refer to note 22(a).

At June 30, 2021, the Company held cash collateral of $4,252,326 (December 31, 2020 **–** $5,142,539, June 30, 2020 – $6,298,635) to help reduce the risk of loss on certain of the Company's finance receivables and loans.

b) Managed receivables

The Company has entered into agreements with clients, whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At June 30, 2021, the gross amount of these managed receivables was $7,112,976 (December 31, 2020 – $18,522,441, June 30, 2020 – $19,958,130). Fees from the Company's receivables management and credit protection business during the three and six months ended June 30, 2021 totalled $93,2676 (2020 – $135,464) and $220,923 (2020 – $654,779), respectively. This is included in other income.

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

(in thousands)	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
Current	**$ 6,974**	$ 12,350	$ 9,094
Past due but not impaired:			
Past due less than 90 days	**139**	5,455	8,646
Past due more than 90 days	—	589	1,835
Impaired	—	128	383
	$ 7,113	$ 18,522	$ 19,958

The past due managed receivables do not necessarily represent a SICR or an impairment, which are usually rebutted as the collection period in the retail industry, the industry relating to most of the overdue managed receivables, is often past due.

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

(in thousands)	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
Low risk	**$ 6,170**	$ 4,857	$ 6,972
Medium risk	—	11,308	6,010
High risk	**943**	2,229	6,593
Impaired	—	128	383
	$ 7,113	$ 18,522	$ 19,958

The significant high risk rated managed receivables at December 31, 2020 and June 30, 2020 directly resulted from the adverse economic impact of COVID-19 and the Company's exposure to the retail industry which was and still is significantly impacted by Covid-19 prevention measures.

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

(in thousands)	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
Stage 1	**$ 6,170**	$ 15,530	$ 12,982
Stage 2 (SICR)	**943**	2,864	6,593
Stage 3 (Impaired)	**—**	128	383
	$ 7,113	$ 18,522	$ 19,958

Stage 1 managed receivables comprise those accounts in good standing where there has been no SICR since initial recognition. Stage 2 managed receivables comprise those accounts that have experienced a SICR since initial recognition. There were no Stage 3 (impaired) managed receivables at the above dates as any outstanding client claims for payment under the Company's guarantees are an actual liability that is accrued for and included in accounts payable and other liabilities. In this respect, at June 30, 2021 there were no outstanding unpaid claims, while at December 31, 2020 and June 30, 2020 amounts totalling $128,000 and $383,000, respectively, had been accrued to payout claims under the Company's guarantees.

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

The activity in the allowance for losses on the guarantee of managed receivables account during the first six months of 2021 and 2020 was as follows:

	2021	2020
Allowance for losses at January 1	**$ 555,000**	$ 44,000
Provision for (recovery of) credit losses	**(441,045)**	2,166,327
Write-offs	**(853)**	(489,391)
Recoveries	**17,898**	5,064
Allowance for losses at June 30	**$ 131,000**	$ 1,726,000

The activity in the allowance for losses on the guarantee of managed receivables during the first six months of 2021 by stage of allowance was as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for losses at January 1, 2021	**$ 267,400**	**$ 287,600**	**$ —**	**$ 555,000**
Reserves recovery* related to decrease in allowance for losses	**(207,400)**	**(216,600)**	**—**	**(424,000)**
Allowance for losses at June 30, 2021	**$ 60,000**	**$ 71,000**	**$ —**	**$ 131,000**

** a component of the provision for loan losses*

There were no transfers between the three stages of the allowance for losses on the guarantee of managed receivables during the first six months of 2021.

The activity in the allowance for losses on the guarantee of managed receivables during the first six months of 2020 by stage of allowance was as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for losses at January 1, 2020	$ 40,480	$ 3,520	$ —	$ 44,000
Transfer between stages	(19,746)	18,665	1,081	—
Reserves expense (recovery)* related to increase in allowance for losses	39,356	1,643,725	(1,081)	1,682,000
Allowance for losses at June 30, 2020	$ 60,090	$ 1,665,910	$ —	$ 1,726,000

** a component of the provision for loan losses*

5. Assets held for sale:

Assets held for sale and movements therein during the first six months of 2021 and 2020 were as follows:

	2021	2020
Assets held for sale at January 1	**$ 1,513,567**	$ 6,970,369
Additions	**37,550**	1,195,299
Disposals	**(623,433)**	(5,564,798)
Impairment charge	**(852,464)**	(897,277)
Foreign exchange adjustment	**(17,401)**	471,360
Assets held for sale at June 30	**$ 57,819**	$ 2,174,953

During 2021 and 2020, the Company obtained title to or repossessed certain long-lived assets securing defaulted finance receivables and loans from a number of clients. These assets have been sold or are being actively marketed for sale and will be disposed of as market conditions permit. The estimated net realizable value of the assets at the above dates was based upon appraisals thereof.

During the first the first six months of 2021 assets totalling $37,550 (2020 - $1,195,299) were added, while assets were disposed of for net proceeds of $623,433 (2020 - $5,564,798). An impairment charge of $852,464 ($897,277) was booked against the assets in the first six months of 2021 to write them down to NRV.

6. Property and equipment

Property and equipment include the Company's right-of-use assets, comprising five office leases. The Company's right-of-use assets and movements therein during the first six months of 2021 and 2020 were as follows:

(in thousands)	**2021**	2020
Right-of-use assets at January 1	**$ 1,103**	$ 1,544
Additions	**242**	—
Depreciation expense	**(216)**	(221)
Foreign exchange adjustment	**(12)**	35
Right-of-use assets at June 30	**$ 1,117**	$ 1,358

Property and equipment also include capital assets, net, with a net book value of $460,865 (2020 – $690,394).

7. Goodwill:

	2021	2020
Goodwill at January 1	**$ 13,218,843**	$ 13,454,926
Foreign exchange adjustment	**(291,313)**	522,049
Goodwill at June 30	**$ 12,927,530**	$ 13,976,975

At June 30, 2021 and 2020 goodwill of US$8,908,713 was carried in AFIU, the Company's U.S. subsidiary. A foreign exchange adjustment is recognized each period-end when this balance is translated into Canadian dollars at a different prevailing period-end exchange rate.

Goodwill was allocated to the following cash generating units ("CGUs") at June 30, 2021 and 2020:

	2021	2020
U.S. operations	**$ 11,045,023**	$ 12,094,468
Canadian operations	**1,882,507**	1,882,507
	$ 12,927,530	$ 13,976,975

Goodwill is tested for impairment annually or more frequently if impairment indicators arise. During 2020, the Company conducted annual impairment reviews on each CGU and determined that there was no impairment to the carrying value of goodwill.

8. Intangible assets:

Intangible assets and movements therein during the first six months of 2021 were as follows:

2021	Customer and referral relationships	Broker relationships	Brand name	Total
Cost				
January 1, 2021	$ 1,938,018	$ 1,343,938	$ 1,733,145	$ 5,015,101
Foreign exchange adjustment	(49,802)	—	(44,537)	(94,339)
June 30, 2021	$ 1,888,216	$ 1,343,938	$ 1,688,608	$ 4,920,762
Accumulated amortization				
January 1, 2021	$ (406,875)	$ (1,330,482)	$ —	$ (1,737,357)
Amortization expense	(63,425)	(13,456)	—	(76,881)
Foreign exchange adjustment	10,837	—	—	10,837
June 30, 2021	$ (459,463)	$ (1,343,938)	$ —	$ (1,803,401)
Book value				
January 1, 2021	$ 1,531,143	$ 13,456	$ 1,733,145	$ 3,277,744
June 30, 2021	$ 1,428,753	$ —	$ 1,688,608	$ 3,117,361

Intangible asset movements during the first six months of 2020 were as follows:

2020	Customer and referral relationships	Broker relationships	Brand name	Total
Cost				
January 1, 2020	$ 1,978,377	$ 1,343,938	$ 1,769,238	$ 5,091,553
Foreign exchange adjustment	89,248	—	79,813	169,061
June 30, 2020	$ 2,067,625	$ 1,343,938	$ 1,849,051	$ 5,260,614
Accumulated amortization				
January 1, 2020	$ (283,239)	$ (1,168,846)	$ —	$ (1,452,085)
Amortization expense	(69,414)	(80,818)	—	(150,232)
Foreign exchange adjustment	(12,397)	—	—	(12,397)
June 30, 2020	$ (365,050)	$ (1,249,664)	$ —	$ (1,614,714)
Book value				
January 1, 2020	$ 1,695,138	$ 175,092	$ 1,769,238	$ 3,639,468
June 30, 2020	$ 1,702,575	$ 94,274	$ 1,849,051	$ 3,645,900

9. Bank indebtedness:

A revolving line of credit totalling approximately $367 million has been established with a syndicate of six banks, bearing interest varying with the bank prime rate or Libor. The line is collateralized primarily by the Company's finance receivables and loans. At June 30, 2021, the amount outstanding under the line of credit totalled $230,021,475 (December 31, 2020 – $210,940,174, June 30, 2020 – $185,397,740). The Company was in compliance with all loan covenants under its bank line of credit during the first six months of 2021 and 2020. On July 26, 2021, the line was renewed for a further one year period.

10. Loan payable:

A revolving line of credit has been established by BondIt with a non-bank lender, which bears interest varying with the U.S. base rate. This line, which is collateralized by all of BondIt's assets, was increased to US$40,000,000 ($49,592,000) on May 7, 2021 and extended to May 6, 2023. At June 30, 2021, the amount outstanding under this line of credit totalled $44,226,885 (December 31, 2020 – $21,376,479, June 30, 2020 – $14,106,902). BondIt was in compliance with all loan covenants under this facility during the first first six months of 2021 and 2020.

11. Related parties:

a) Notes payable:

Notes payable comprise: (i) unsecured demand notes due on, or within a week of, demand ($1,820,722); (ii) numerous BondIt notes ($3,099,500), which are repayable on various dates the latest of which is December 31, 2021; and (iii) term notes which mature on July 31, 2021 ($12,939,800); the majority of these notes have been extended for a one-year period. Notes payable are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties.

Notes payable were as follows:

	June 30, 2021	Dec. 31, 2020	June 30, 2020
Short-term notes (due within one year)			
Related parties	**$ 14,778,446**	$ 15,071,938	$ 2,499,102
Third parties	**3,081,576**	2,362,116	2,437,075
	17,860,022	17,434,054	4,936,177
Long-term notes (due after one year)			
Related parties	**—**	—	12,207,600
	$ 17,860,022	$ 17,434,054	$ 17,143,777

Notes due on, or within a week of, demand bear interest at rates that vary with bank prime rate or Libor, while the BondIt notes bear interest at rates which range from 8.5% to 11%. The term notes maturing on July 31, 2021 carry an interest rate of 7% with interest payable each calendar quarter-end.

Interest expense on the notes payable for the three and six months ended June 30 was as follows:

	Three months		Six months	
	2021	2020	**2021**	2020
Related parties	**$ 254,289**	$ 254,766	**$ 520,565**	$ 513,199
Third parties	**48,474**	46,454	**77,028**	107,845
	$ 302,763	$ 301,220	**$ 597,593**	$ 621,044

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 participated in the BondIt client loans. At June 30, 2021, participations in BondIt client loans totalled US$25,710,000 (December 31, 2020 – US$14,765,000, June 30, 2020 – US$6,135,000), of which US$2,268,000 (December 31, 2020 – US$2,405,000, June 30, 2020 – US$2,017,000) was provided by related parties. These participations are not included in the Company's Statements of Financial Position.

12. 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.

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

The Company used the residual method to calculate the allocation between the debt and equity components of the debentures. The gross proceeds of $25,626,800 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 June 30, 2021 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	**1,409,478**	**—**	**1,409,478**
	$ 23,823,052	**$ 1,005,105**	**$ 24,828,157**

The allocation of the gross proceeds from the convertible debentures issuance and the balances outstanding on the debt and equity components at June 30, 2020 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	797,879	—	797,879
	$ 23,211,453	$ 1,005,105	$ 24,216,558

At June 30, 2021 all debentures remained outstanding.

13. Lease liabilities:

The following table presents the contractual undiscounted cash flows for office lease obligations at June 30:

(in thousands)	**2021**	2020
Less than one year	**$ 574**	$ 508
One to five years	**722**	995
Thereafter	**69**	161
Total undiscounted lease obligations	**1,365**	1,664
Less: short-term lease commitments elected for exemption under IFRS 16	**(10)**	(17)
Less: future interest	**(142)**	(201)
	$ 1,213	$ 1,446

For the three months ended June 30, 2021, principal and interest payments for the five office leases recognized as right-of-use assets under IFRS 16 totalled $109,546 (2020 - $104,023) and $17,056 (2020 - $23,597), respectively, for total lease payments of $126,602 (2020 - $127,620). For the six months ended June 30, 2021, principal and interest payments for the five leases recognized under IFRS 16 totalled $223,198 (2020 - $188,787) and $25,303 (2020 - $63,313), respectively, for total lease payments of $248,501 (2020 - $252,100). No variable lease payments are included in the measurement of the Company's lease liabilities.

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

a) Authorized capital stock

The authorized capital stock of the Company consists of an unlimited number of first preferred shares, issuable in series, and an unlimited number of common shares with no par value. The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board. At June 30, 2021 and 2020, there were no first preferred shares outstanding.

b) Issued and outstanding

The Company's issued and outstanding common shares during the first half of 2021 and 2020 are set out in the consolidated statements of changes in equity.

c) Share repurchase program

On December 4, 2019, the Company received approval from the TSX to commence a normal course issuer bid (the "2019 Bid") for up to 429,445 of its common shares at prevailing market prices on the TSX. The 2019 Bid commenced on December 9, 2019 and terminated on December 8, 2020. All shares repurchased pursuant to the 2019 Bid were cancelled. On termination of the 2019 Bid, the Company did not renew its normal course issuer bid. In the first half of 2020, under the 2019 Bid, the Company repurchased and cancelled 30,000 common shares at an average price of $8.80 per common share for total consideration of $264,049. This amount was applied to reduce share capital by $33,118 and retained earnings by $230,931.

d) Contributed surplus

The Company's contributed surplus and movements therein during the first half of 2021 and 2020 are set out in the consolidated statements of changes in equity.

e) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During the three and six months ended June 30, 2021, dividends totalling $427,945 (2020 – $427,946) and $855,891 (2020 –- $1,199,526) or $0.05 (2020 – $0.05) and $0.10 (2020 – $0.14), respectively, per common share were declared and paid.

On July 28, 2021, the Company declared a quarterly dividend of $0.05 per common share, payable September 1, 2021 to shareholders of record at the close of business on August 16, 2021.

f) Stock option plans

The Company has established a new 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 issue upon the exercise of options granted. The number of shares issued within a one-year period shall not exceed 10% of the Company's issued and outstanding common shares. The options granted will vest one-third on each anniversary date of the date of grant or over a period to be decided by the Board. The options shall be exercisable for a period established by the Board which shall and in any event be no later than seven years after the date of grant. The exercise price of all options granted under the 2021 SOP shall not be 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 of the option. At June 30, 2021, the Company had not issued any stock options under its 2021 SOP.

The Company's former employee stock option plan ("KESOP") and non-executive directors' stock option plan ("NEDSOP") under which an aggregate of 1,000,000 and 500,000 common shares, respectively, had been reserved for issue upon the exercise of options granted to key managerial employees of the Company and its subsidiaries and non-executive directors of the Company was terminated on March 10, 2021.

Outstanding options granted under the old NEDSOP were as follows:

Exercise price	Grant date	Expiry date	**June 30, 2021**	Dec. 31, 2020	June 30, 2020
$9.56	Oct. 28, 2015	Oct. 27, 2020	**—**	—	80,000
$9.28	July 27, 2016	July 26, 2021	**60,000**	60,000	80,000
Outstanding, earned and exercisable			**60,000**	60,000	160,000

A director who did not stand for re-election on May 6, 2020 did not exercise his options within the required sixty-day period after he ceased to be director. Accordingly, his 40,000 options expired on July 5, 2020. On October 27, 2020, the remaining 60,000 options granted on October 28, 2015 expired unexercised. On July 26, 2021 the remaining options granted on July 27, 2016 expired unexercised. No options under the KESOP and NEDSOP remained outstanding at August 4, 2021.

The fair value of the options granted in 2016 and 2015 was determined using the Black-Scholes option-pricing model with the following assumptions on the grant dates:

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

g) Senior executive long-term incentive plan:

Under the LTIP, which was introduced in 2015, grants may be made annually to the Company's senior executive management group and are measured and assessed over a three-year performance period. Grants are determined as a percentage of the participants' short-term annual bonus subject to an annual LTIP pool maximum of 5% of adjusted consolidated net earnings. Vesting of the LTIP is subject to achievement over a three-year period of a cumulative adjusted return on average equity and may be adjusted up or down subject to achievement of certain minimum and maximum return thresholds. The Company's Board termimanted the LTIP on March 10, 2021. Any payouts in respect of the outstanding unvested 2019 and 2020 LTIP awards will be settled in cash.

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

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

All outstanding stock options and convertible debentures were excluded from the calculation of the diluted weighted average number of shares outstanding for the three and six months ended June 30, 2021 and 2020 because they were considered to be anti-dilutive for earnings per common share purposes. Details of stock options outstanding are set out in note 14(f).

16. 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 accues 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 June 30, 2021 and 2020, 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 June 30, 2021 and 2020 and December 31, 2020, there were no letters of credit issued on behalf of clients for which the Company was contingently liable. The Company was contingently liable with respect to letters of guarantee issued on behalf of its clients in the amount of $632,298 at June 30, 2021 (December 31, 2020 – $648,975, June 30, 2020 – $692,376). These amounts were considered in determining the allowance for losses on finance receivables and loans.

17. Derivative financial instruments:

At June 30, 2021 and 2020, the Company had no forward exchange contracts outstanding. At December 31, 2020, the Company had entered into forward foreign exchange contracts with a financial institution which had to be exercised by the Company between January 29, 2021 and August 31, 2021 and which obliged the Company to sell Canadian dollars and buy US$744,000 at exchange rates ranging from 1.27650 to 1.35930.

The favorable and unfavorable fair values of these contracts were recorded on the Company's consolidated statements of financial position in other assets and accounts payable and other liabilities, respectively. The fair value of the contracts were classified as Level 2 under IFRS 7. During the first half of 2021 and 2020 there was no movement between the three-level fair value hierarchy.

18. Accumulated other comprehensive income:

Accumulated other comprehensive income ("AOCI") solely comprises the unrealized foreign exchange gain (commonly referred to as cumulative translation adjustment) arising on translation of the assets and liabilities of the Company's foreign subsidiaries which report in U.S. dollars. Changes in the AOCI balance during the six months ended June 30, 2021 and 2020 are set out in the consolidated statements of changes in equity.

19. Non-controlling interests in subsidiaries:

Non-controlling interests in subsidiaries at June 30, 2021 and 2020, and December 31, 2020 comprised a 49% interest in BondIt’s common member units and an 8% interest in CapX’s common units. Please see the consolidated statements of changes in equity for movements in non-controlling interests during the six months ended June 30, 2021 and 2020.

20. Fair value of financial assets and liabilities:

Financial assets or liabilities, other than lease receivables and term loans to clients in our equipment and small business finance businesses, 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. Under the fair value hierarchy, finance receivables and loans would be classified as Level 3.

21. 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 and goodwill during the periods under review.

Three months ended June 30	2021				2020			
(in thousands)	**Canada**	**United States**	**Inter-Company**	**Total**	Canada	United States	Inter-Company	Total
Identifiable assets	**$218,647**	**$212,123**	**$ (2,505)**	**$428,265**	$141,467	$214,734	$ (45)	$356,156
Revenue								
Interest income	**$ 6,355**	**$ 6,337**	**$ (110)**	**$ 12,582**	$ 4,172	$ 6,325	$ (92)	$ 10,405
Other income	**1,091**	**1,743**	**—**	**2,834**	510	355	—	865
	7,446	**8,080**	**(110)**	**15,416**	4,682	6,680	(92)	11,270
Expenses								
Interest	**2,352**	**1,363**	**(110)**	**3,605**	2,688	979	(92)	3,575
General and administrative	**3,616**	**3,678**	**—**	**7,294**	2,094	4,475	—	6,569
Provision for credit and loan losses	**276**	**(56)**	**—**	**220**	(104)	(2,851)	—	(2,955)
Impairment of assets held for sale	**—**	**—**	**—**	**—**	—	—	—	—
Depreciation	**80**	**98**	**—**	**178**	82	102	—	184
Business acquisition expenses	**—**	**102**	**—**	**102**	40	35	—	75
	6,324	**5,185**	**(110)**	**11,399**	4,800	2,740	(92)	7,448
Earnings (loss) before income tax	**1,122**	**2,895**	**—**	**4,017**	(118)	3,940	—	3,822
Income tax expense (recovery)	**250**	**176**	**—**	**426**	(225)	(680)	—	(905)
Net earnings	**872**	**2,719**	**—**	**3,591**	107	4,620	—	4,727
Net earnings attributable to non-controlling interests in subsidiaries	**—**	**506**	**—**	**506**	—	384	—	384
Net earnings attributable to shareholders	**$ 872**	**$ 2,213**	**$ —**	**$ 3,085**	$ 107	$ 4,236	$ —	$ 4,343

Six months ended June 30	2021				2020			
(in thousands)	**Canada**	**United States**	**Inter-Company**	**Total**	Canada	United States	Inter-Company	Total
Identifiable assets	**$218,647**	**$212,123**	**$ (2,505)**	**$428,265**	$141,467	$214,734	$ (45)	$356,156
Revenue								
Interest income	**$ 11,623**	**$ 12,591**	**$ (200)**	**$ 24,014**	$ 8,693	$ 12,558	$ (210)	$ 21,041
Other income	**2,264**	**2,619**	**—**	**4,883**	1,436	808	—	2,244
	13,887	**15,210**	**(200)**	**28,897**	10,129	13,366	(210)	23,285
Expenses								
Interest	**4,572**	**2,519**	**(200)**	**6,891**	6,046	1,744	(210)	7,580
General and administrative	**6,771**	**7,593**	**—**	**14,364**	4,710	8,807	—	13,517
Provision for credit and loan losses	**242**	**(918)**	**—**	**(676)**	5,423	444	—	5,867
Impairment of assets held for sale	**140**	**712**	**—**	**852**	—	897	—	897
Depreciation	**149**	**195**	**—**	**344**	163	200	—	363
Business acquisition expenses	**14**	**157**	**—**	**171**	81	69	—	150
	11,888	**10,258**	**(200)**	**21,946**	16,423	12,161	(210)	28,374
Earnings (loss) before income tax	**1,999**	**4,952**	**—**	**6,951**	(6,294)	1,205	—	(5,089)
Income tax expense (recovery)	**437**	**71**	**—**	**508**	(1,663)	(2,098)	—	(3,761)
Net earnings (loss)	**1,562**	**4,881**	**—**	**6,443**	(4,631)	3,303	—	(1,328)
Net earnings attributable to non-controlling interests in subsidiaries	**—**	**773**	**—**	**773**	—	206	—	206
Net earnings (loss) attributable to shareholders	**$ 1,562**	**$ 4,108**	**$ —**	**$ 5,670**	$ (4,631)	$ 3,097	$ —	$ (1,534)

22. Financial risk management:

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

a) Credit risk:

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. In the Company's case, credit risk arises with respect to its loans to and other financial transactions with clients, its guarantee of managed receivables, and any other financial transaction with a counterparty that the Company deals with. The carrying amount of these loans ($406 million) and managed receivables ($7 million) represents the Company's maximum credit exposure and is the most significant measurable risk that it faces. The nature of the Company's asset-based lending business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. The Company usually owns the factored receivables or leased assets 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, in most cases, secured against various forms of collateral. The collateral is generally first ranking security on the client's assets which typically comprise receivables, inventory, equipment and real estate, or a strong guarantee from a counter-party. The Company provides a loss allowance on all of its finance receivables and loans based on the assessed credit risk. There were no significant changes in the quality of collateral or changes to the Company's collateral policy during the three and six months ended June 30, 2021 and 2020.

At June 30, 2021, the Company had impaired loans of $2,822,000 (December 31, 2020 – $2,539,000, June 30, 2020 – $6,104,000), while at that date, it held collateral for these loans with an estimated net realizable value of $3,506,000 (December 31, 2020 – $3,013,000, June 30, 2020 – $6,376,000). These impaired loans were mainly secured by receivables, inventory and/or equipment. The Company did not have any impaired managed receivables at June 30, 2021 and 2020, and December 31, 2020, as an accrued liability is established in respect of any unpaid claims under the Company's credit guarantees (see note 4(b)).

In its asset-based lending and equipment finance businesses, and credit protection and receivables management operations (AFL), credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel and management. In the case of credit in excess of $1.0 million (US$1.0 million in the case of AFIU and AEF, and US$500,000 for BondIt) credit is approved by the Company's Executive Credit Committee. Credit in excess of $2.5 million (US$2.5 million in the case of U.S. group companies) is approved by the Credit Committee of the Board, which comprises three directors. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. In its asset-based lending operations, a primary focus continues to be on the credit-worthiness and collectability of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from the invoice date. The Company's lease receivables and equipment loans are mainly term loans with payments usually spread out evenly over the term of the lease or loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, none were past due more than 60 days at June 30, 2021 (December 31, 2020 – 6.1%, June 30, 2020 – 24.1%). In the Company's asset-based lending business, trade receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from the invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

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

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

In the Company's credit protection and receivables management business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. All customer credit in excess of $2.5 million is approved by the Credit Committee of the Board on a case-by-case basis. At June 30, 2021, the Company did not have any guaranteed accounts receivable in excess of $5 million for any customer.

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

	June 30, 2021		June 30, 2020	
(in $000's)	**Gross finance receivables and loans**	**% of total**	Gross finance receivables and loans	% of total
Manufacturing	**$ 93,917**	**23**	$ 95,489	30
Professional services	**71,270**	**18**	55,272	18
Media	**67,145**	**17**	22,880	7
Financial services	**54,626**	**13**	37,811	12
Transpotation	**27,971**	**7**	16,667	5
Wholesale and distribution	**26,644**	**6**	25,759	8
Construction	**25,085**	**6**	17,229	6
Retail	**11,230**	**3**	16,309	5
Other	**27,675**	**7**	29,521	9
	$ 405,563	**100**	$ 316,937	100

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

	June 30, 2021		June 30, 2020	
(in $000's)	**Managed receivables**	**% of total**	Managed receivables	% of total
Wholesale and distribution	**$ 5,064**	**62**	$ 365	2
Retail	**2,049**	**38**	16,986	85
Other	**–**	**–**	2,607	13
	$ 7,113	**100**	$ 19,958	100

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

b) Liquidity risk:

The Company's financial assets and liabilities at June 30, 2021 by maturity date were as follows:

(in thousands)	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash	$ 3,014	$ —	$ —	$ —	$ —	$ —	$ 3,014
Finance receivables and loans	205,531	67,644	81,562	45,353	5,473	—	405,563
All other assets	5,191	—	—	—	—	—	5,191
	$213,736	$ 67,644	$ 81,562	$ 45,353	$ 5,473	$ —	$ 413,768
Financial liabilities							
Due to clients	$ 2,341	$ —	$ —	$ —	$ —	$ —	$ 2,341
Bank indebtedness	230,021	—	—	—	—	—	230,021
Loan payable	44,227	—	—	—	—	—	44,227
Notes payable	17,860	—	—	—	—	—	17,860
Convertible debentures	—	—	23,823	—	—	—	23,823
All other liabilities	9,696	302	155	93	92	60	10,398
	$ 304,145	$ 302	$ 23,978	$ 93	$ 92	$ 60	$ 328,670

The Company's financial assets and liabilities at June 30, 2020 by maturity date were as follows:

(in thousands)	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash	$ 14,735	$ —	$ —	$ —	$ —	$ —	$ 14,735
Finance receivables and loans	152,425	52,493	46,945	47,735	17,339	—	316,937
All other assets	7,744	—	—	—	—	—	7,744
	$ 174,904	$ 52,493	$ 46,945	$ 47,735	$ 17,339	$ —	$ 339,416
Financial liabilities							
Due to clients	$ 1,852	$ —	$ —	$ —	$ —	$ —	$ 1,852
Bank indebtedness	185,398	—	—	—	—	—	185,398
Loan payable	14,107	—	—	—	—	—	14,107
Notes payable	4,936	12,208	—	—	—	—	17,144
Convertible debentures	—	—	—	23,211	—	—	23,211
All other liabilities	11,982	469	252	73	79	152	13,007
	$ 218,275	$ 12,677	$ 252	$ 23,284	$ 79	$ 152	$ 254,719

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, loan payable, notes payable, convertible debentures, due to clients, and accounts payable and other liabilities. At June 30, 2021, revolving credit lines totalling approximately $416,000,000 have been established with a syndicate of banks, as well as a non-bank lender, bearing interest varying with the bank prime rate or Libor. At June 30, 2021, the Company had borrowed $274,248,360 (December 31, 2020 – $232,316,653, June 30, 2020 – $199,504,642) against these facilities. These lines of credit are collateralized primarily by finance receivables and loans to clients. As detailed in note 9, the Company was in compliance with all loan covenants under its bank line of credit during the first half of 2021 and 2020, while BondIt was compliant with all covenants under its line of credit with its non-bank lender. See note 10.

Notes payable of $1,820,722 are due on, or within a week of demand, while BondIt notes totalling $3,099,500 are repayable at various dates the latest of which is December 31, 2021. A further $12,939,800 of term notes payable mature on July 31, 2021 (see note 11(a)). The majority of these notes payable have been extended for a one-year period. Notes payable are to individuals or entities and consist of advances from shareholders, directors, management, employees, other related individuals and third parties. At June 30, 2021, 83% (2020 – 86%) of these notes were due to related parties and 17% (2020 – 14%) to third parties. The Company's convertible debenture liability was $23,823,052 at June 30, 2021. 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 June 30, 2021, the Company had gross finance receivables and loans totalling $405,562,696 (December 31, 2020 – $360,337,167, June 30, 2020 – $316,936,925) which substantially exceeded its total liabilities of $329,956,001 at that date (December 31, 2020 – $291,153,514, June 30, 2020 – $261,179,788). The Company's receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

c) **Market risk**:

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

i) **Currency risk:**

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally finance receivables and loans, cash, bank indebtedness, due to clients and notes payable. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At June 30, 2021, the Company's unhedged foreign currency positions in its Canadian operations totalled $235,000 (2020 – $131,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a 1% change in the value of the Company's foreign currency holdings against the Canadian dollar would not have a material impact on the Company's net earnings.

ii) Interest rate risk:

Interest rate risk pertains to the risk of loss due to the volatility of interest rates. The Company's lending and borrowing rates are usually based on bank prime rates of interest or Libor and are typically variable. The Company actively manages its interest rate exposure where possible. The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to a large degree. As the Company's floating rate finance receivables and loans are currently somewhat below its floating and short-term fixed rate (usually 30 days) borrowings, the Company will deploy interest rate hedges or term out certain of its borrowings in future periods to match up with fixed rate term loan maturities in our equipment and small business finance businesses.

The following table shows the interest rate sensitivity gap at June 30, 2021:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	4 to 5 years	Thereafter	Non-rate sensitive	Total
Assets							
Cash	$ 2,210	$ —	$ —	$ —	$ —	$ 804	**$ 3,014**
Finance receivables and loans, net	181,853	47,877	149,319	26,514		(5,785)	**399,778**
All other assets	—	1,482	—	—	—	23,991	**25,473**
	$184,063	$ 49,359	$149,319	$ 26,514	$ —	$ 19,010	**$428,265**
Liabilities							
Due to clients	$ —	$ —	$ —	$ —	$ —	$ 2,341	**$ 2,341**
Bank indebtedness	10,825	219,231	—	—	—	(35)	**230,021**
Loan payable	44,227	—	—	—	—	—	**44,227**
Notes payable	1,821	16,039	—	—	—	—	**17,860**
Convertible debentures	—	—	23,823	—	—	—	**23,823**
All other liabilities	—	1,541	468	185	60	9,432	**11,686**
Equity	—	—	—	—	—	98,307	**98,307**
	56,873	236,811	24,291	185	60	110,045	**428,265**
	$127,190	$(187,452)	$125,028	$ 26,329	$ (60)	$ (91,035)	**$ —**

Based on the Company's interest rate positions as at June 30, 2021, a sustained 100 basis point rise in interest rates across all currencies and maturities would reduce net earnings by approximately $600,000 over a one-year period. A decrease of 100 basis points in interest rates would increase net earnings by a similar extent.

23. Capital disclosure:

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares or debt, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to total equity and its total equity to total assets. At June 30, 2021, as a percentage, these ratios were 321% (December 31, 2020 – 291%, June 30, 2020 – 253%) and 23% (December 31, 2020 – 24%, June 30, 2020 – 27%), respectively. The Company's debt and leverage will usually rise with an increase in finance receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at June 30, 2021, the Company is required to maintain a senior debt to TNW ratio of less than 3.5 on its syndicated bank facility. BondIt, which has 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.

24. Government grants:

During the three months ended June 30, 2021, the Company received $146,274 (2020 – $486,819) under the Canadian Emergency Wage Subsidy program and $50,257 (2020 – nil) under the Canadian Emergency Rent Subsidy program, while for the six months ended June 30, 2021, the Company received $249,481 (2020 – $486,819) under the Canadian Emergency Wage Subsidy program and $75,474 (2020 – nil) under the Canadian Emergency Rent Subsidy program. These grants were offset against their respective payroll and rent expenses in G&A.

25. Subsequent events:

At August 4, 2021, there were no subsequent events occurring after June 30, 2021 that required disclosure or adjustments to the financial statements.

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Ken Hitzig, Toronto, Ontario 2, 3
Simon Hitzig, Toronto, Ontario
Jean Holley, Alpharetta, Georgia 2
Gary Prager, Wake Forest, North Carolina 1, 3
Stephen D. Warden, Oakville, Ontario 1, 2
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(2) Member of Compensation Committee
(3) Member of Credit Committee
(4) Chairman of the Board

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Simon Hitzig, President & CEO
Stuart Adair, Senior Vice President, Chief Financial Officer
Barrett Carlson, Senior Vice President, Corporate Development
Irene Eddy, Senior Vice President, Capital Markets
Cathy Osborne, Senior Vice President, Human Resources
Eric Starr, Senior Vice President, Program Operations and Risk
Jim Bates, Corporate Secretary

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

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KPMG LLP

Legal Counsel

Stikeman Elliott

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Toronto Stock Exchange Symbols:
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