Annual Report **2023**

ACCORD
FINANCIAL

Positioning for Success

Positioning for Success

Small- and middle-market businesses are the engine of the economy, creating employment, driving innovation, and sustaining economic growth.

Each industry faces its own set of challenges, and every business navigates its own unique path to success. Financial support is never the end in itself; it paves the way for investment – in supplies, inventory, equipment, working capital – the keys to unlocking value.

Fueled by Accord's commitment and capital, our clients develop innovative products, drive costs down, nurture the next generation of talent, and deliver the promise of progress. With forty-six years of experience, Accord knows what it takes to weather the storm, compete, and to thrive.

As the pace of change accelerates, positioning for success takes more than ambition; it takes passion, creativity, and a drive to challenge the status quo.

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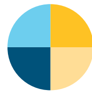
Flexible Financing Solutions from Accord



Asset-based Lending

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

Factoring

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

Small Business Finance

Accord provides a variety of financing solutions for Canadian small businesses, including equipment leasing and flexible working capital facilities. Under the AccordExpress banner, we offer a range of innovative programs designed with a streamlined approval process and fast funding. These programs deliver up to $250,000 of working capital, and up to $3 million when backed by receivables or equipment collateral, all with flexible terms designed to spur growth in 2024.

Equipment Financing

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

The Company's financial statements have been prepared in accordance with IFRS. The Company uses a number of other financial measures to monitor its performance and believes that these measures may be useful to investors in evaluating the Company's operating performance and financial position. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency between companies using these measures and are, therefore, considered to be non-IFRS measures. The non-IFRS measures presented in the Ten Year Financial Summary, Letter to Our Shareholders, Management's Discussion and Analysis and elsewhere in this annual report are summarized on pages 4, 5 and 6 of this Annual Report, as well as set out in detail on pages 28 to 30. Such non-IFRS measures include adjusted net earnings, adjusted earnings per share, book value per share, return on average equity, adjusted return on average equity, average funds employed, etc. Please refer to the above noted pages.

Letter to Our Shareholders

Simon Hitzig

The story of Accord's year was written in November when, as disclosed in our third quarter report, one of our teams uncovered significant irregularities in collateral reporting by a borrower related to a $14.4 million loan. In December, the borrower filed an assignment in bankruptcy and the bankruptcy trustee confirmed that the borrower had been perpetrating a carefully concealed fraud, leading the Company to write off $13.1 million by year end. This write-off marked a significant reduction in the Company's equity position. Given the reduction in equity, and the Company's efforts to reduce leverage in keeping with the revised equity position, the portfolio gave up some of the growth we had generated in the first nine months of the year.

Looking back over Accord's forty-six years of successfully financing SMEs, this significant write-off is an exception to a history of sound underwriting performance. Loan losses are inherent in a non-bank lending business and part of the business model, generally covered by interest income and the Company's allowance for losses across a diversified portfolio. Against this backdrop, over the years Accord has grown capital and returned capital to investors via dividends.

Prior to the single account loss, Accord's finance receivables and loans ("portfolio") grew 9% from January 1, 2023 to $493.6 million as of September 30th, as business conditions shifted in favor of non-bank lenders, and Accord's product mix specifically. As we've written before, economic uncertainty often leads the major banks to restrict their lending appetite, which provides opportunities for Accord as our expertise, and reliance on strong collateral, allows us to finance companies that may no longer meet the banks' criteria. As a result, we continue to see steady deal opportunities in all our operating companies.

While we're enjoying a steady increase in new applications, we remain attuned to the challenging credit environment, and highly selective in onboarding new clients. With the additional challenge of managing with reduced capital in the fourth quarter, the portfolio settled back to $476.7 million by year end. Despite the fourth quarter headwinds, the Company's average funds employed reached $472 million over the year, up from $450 million in 2022. Driven by portfolio growth and higher average yields, revenue reached a record of $79.7 million compared to $67.5 million last year.

While the top line reflected strong performance from our operating companies, net earnings were driven down by several significant non-recurring items. In addition to the $13.1 million fraud-related loss, the Company wrote off the remaining $11.9 million of goodwill on the balance sheet, most of it related to U.S. acquisitions completed in 2017. The significant variability in earnings of the U.S. subsidiaries over the last three years, combined with an increase in funding costs, make the return to earnings

growth by these U.S. subsidiaries difficult to predict. Given this lack of visibility, the Company took the prudent step to recognize an impairment loss at the end of the fourth quarter. These non-recurring items contributed to a net loss attributable to shareholders of $14.6 million in 2023.

As described in more detail in the MD&A, in March 2024 the Company renegotiated and amended its primary banking facility given recent events and the reduced equity base. Reductions in equity and bank financing are expected to limit the Company's growth opportunities until additional capital is secured. The amendment terms provide time and flexibility for Accord to evaluate alternate funding sources to augment the core bank facility. Alternatives include various private market financing arrangements to support, replace or add to current debt facilities, as Accord has undertaken in the past.

In addition, the Company is evaluating a number of strategic initiatives to generate additional cash and capital to support portfolio growth and unlock shareholder value. This strategic analysis may result in decisions to change product mix, and/or divest one or more non-core subsidiaries. During this period of constrained growth capital, the board of directors has suspended the Company's regular quarterly dividend.

While the non-recurring items are the headline story for 2023, a quick look at adjusted earnings provides some additional context. Adding back one-time items relating to the fraud, goodwill write-off, and restructuring expenses related to extending the public debentures, results in adjusted net earnings of $5.8 million in 2023, up from $3.5 million in 2022, or 68 cents per common share versus 40 cents last year. Book value per share closed the year at $9.80.

For forty-six years Accord has successfully navigated business and economic challenges. With our excellent management team, compelling product mix, and deep industry relationships, the Company continues to deliver much-needed capital to businesses from coast to coast, helping clients realize their ambitions.

Simon Hitzig
President & Chief Executive Officer
March 22, 2024

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

Irene Eddy

Year ended December 31, 2023 compared with year ended December 31, 2022

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except values per share, or otherwise noted)

Years ended December 31	2023	2022
Average funds employed (millions)	$ 472	$ 450
Revenue	79,705	67,490
Earnings (loss) before income tax	(27,191)	2,646
Net earnings (loss) attributable to shareholders	(14,625)	1,427
Goodwill impairment	11,876	1,883
Net single account write-off and associated costs	14,913	—
Restructuring and other expenses	1,023	887
Tax impact from adjustments	(7,370)	(734)
Adjusted net earnings	5,817	3,463
Earnings (loss) per common share (basic and diluted)	(1.71)	0.17
Adjusted earnings per common share (basic and diluted)	0.68	0.40
Book value per share	$ 9.80	$ 11.80

OVERVIEW

The following discussion and analysis explain trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the year ended December 31, 2023 compared with the year ended December 31, 2022. 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 Management's Discussion and Analysis ("MD&A"), which has been prepared as at March 22, 2024, should be read in conjunction with the Company's 2023 audited consolidated financial statements (the "Statements") and notes thereto, the Ten Year Financial Summary (see page 31) and the Letter to Our Shareholders, all of which form part of this 2023 Annual Report.

All amounts discussed in this MD&A are expressed in thousands of Canadian dollars except per share amounts and as otherwise stated and have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 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.sedarplus.ca.

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 AND RATIOS

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 its 2023 Annual Report are defined as follows:

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

ii) **Adjusted net earnings, adjusted earnings per common share and adjusted ROE** – adjusted net earnings presents shareholders net earnings before goodwill impairment, net single account write off and associated costs, stock-based compensation, business acquisition expenses (namely, business transaction and amortization of intangibles) and restructuring expenses (which includes non-recurring expenses associated with recent debenture amendments). The Company considers these terms to be non-operating expenses. Management believes adjusted net earnings is a more appropriate measure of ongoing operating performance than shareholders' net earnings as it excludes items which do not directly relate to ongoing operating activities. Adjusted (basic and diluted) earnings per common share is adjusted net earnings divided by the (basic and diluted) weighted average number of common shares outstanding in the period (see note 17 to the Statements), while adjusted ROE is adjusted net earnings for the period expressed as an annualized percentage of the average shareholders' equity employed in the period;

iii) **Book value per share** – book value is defined as shareholders' equity, as shown on the Company's

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

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

v) **Profitability, yield and efficiency ratios** – Table 1 on page 9 presents certain profitability measures. In addition to ROE and adjusted ROE, net revenue (revenue minus interest expense) expressed as a percentage of average assets, and operating expenses comprising general and administrative expenses ("G&A") and depreciation expressed as a percentage of average assets is shown, as is operating expenses as a percentage of revenue, which is also referred to as the efficiency ratio. These ratios are presented over a three-year period, which enables readers to see at a glance trends in the Company's profitability, yield and operating efficiency;

vi) **Financial condition and leverage ratios** – Table 2 on page 10 presents the following percentages: (i) total equity expressed as a percentage of total assets; (ii) tangible equity (total equity less goodwill, intangible assets) expressed as a percentage of total assets; (as of March 31, 2023 the Company no longer deducts deferred taxes from tangible equity, as they are not considered intangible assets or liabilities. Prior periods in the table have been adjusted for comparability) and (iii) debt (bank indebtedness, loans payable, notes payable and convertible debentures) expressed as a percentage of total equity. These percentages provide information on trends in the Company's financial condition and leverage; and

vii) **Credit quality** – Table 3 on page 14 presents information on the quality of the Company's total portfolio, namely, its finance receivables and loans and managed receivables. It presents the Company's year-end allowances for expected credit losses as a percentage of its total portfolio and its annual net write-offs. It also presents net write-offs as a percentage of revenue.

The calculations of the above noted non-IFRS financial measures and ratios for the last 3 years are set out in the Appendix to this MD&A on pages 28 to 30 of this 2023 Annual Report.

ACCORD'S BUSINESS

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

The Company, founded in 1978, operates six finance businesses in North America, namely, Accord Financial Inc. ("AFIC"), Accord Financial Canada Corp. ("AFCC") and Accord Financial Ltd. ("AFL") in Canada, and Accord Financial, Inc. ("AFIU"), BondIt Media Capital ("BondIt") and Accord CapX LLC (doing business as Accord Equipment Finance ("AEF")) in the United States. Some sections of this report present Accord's businesses as cash generating

RESULTS OF OPERATIONS

Years ended December 31	2023	% of revenue	2022	% of revenue
Revenue				
Interest	$ 68,740	86.2%	$ 60,212	89.2%
Other income	10,965	13.8%	7,278	10.8%
	79,705	100.0%	67,490	100.0%
Operating expenses				
Interest expense	35,299	44.3%	24,087	35.7%
General and administrative	34,545	43.3%	29,599	43.9%
Provision for credit losses	24,476	30.7%	8,293	12.3%
Impairment of goodwill	11,876	14.9%	1,883	2.8%
Impairment of assets held for sale	—	0.0%	148	0.2%
Depreciation	563	0.7%	702	1.0%
Amortization of intangible assets	137	0.2%	132	0.2%
	106,896	134.1%	64,844	96.1%
Earnings (loss) before income tax	(27,191)	(34.1%)	2,646	3.9%
Income tax expense (recovery)	(11,798)	(14.8%)	1,001	1.5%
Net earnings (loss)	(15,393)	(19.3%)	1,645	2.4%
Net earnings (loss) attributable to non-controlling interests in subsidiaries	(768)	(1.0%)	218	0.3%
Net earnings (loss) attributable to shareholders	$ (14,625)	(18.3%)	$ 1,427	2.1%
Goodwill impairment	11,876	14.9%	1,883	2.8%
Net single account write off and associated costs	14,913	18.7%	—	0.0%
Restructuring and other expenses	1,023	1.3%	887	1.3%
Tax impact from adjustments	(7,370)	(9.2%)	(734)	(1.1%)
Adjusted net earnings	$ 5,817	7.3%	$ 3,463	5.1%
Basic and diluted earnings (loss) per common share	$ (1.71)		$ 0.17	
Adjusted basic and diluted earnings per common share	$ 0.68		$ 0.40	

units (“CGUs”), which is simply an aggregation of subsidiaries according to their country of operation.

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

RESULTS OF OPERATIONS

Year ended December 31, 2023 compared with year ended December 31, 2022

Shareholders’ net loss in 2023 was $14,625 compared to net income of $1,427 earned in 2022. Shareholders’ net earnings decreased mainly as a result of (i) a significant loss on a single account, (ii) a goodwill impairment related to the Company’s U.S. operations and (iii) higher interest costs. In November 2023, the Company uncovered significant irregularities in collateral reporting by a

borrower related to their revolving loan. After a thorough investigation, the Company wrote down $13.1 million of the borrower's $15.1 million balance, inclusive of accrued interest. Of the remaining $2.0 million balance, the Company has recorded an additional provision of $1.0 million in the fourth quarter. The borrower filed an assignment in bankruptcy in December and the Company is pursuing all remedies including legal action in an effort to recover proceeds from all available sources. Basic and diluted loss per common share ("LPS") was $1.71 compared to basic and diluted earnings per common share ("EPS") of $0.17 last year. The Company's ROE was -14.8% in 2023 compared to 1.4% in 2022.

Adjusted net earnings increased to $5,817 in 2023 compared to last year's adjusted net earnings of $3,463. Adjusted EPS was $0.68 in 2023 compared to $0.40 in 2022. Adjusted ROE was 5.9% in 2023 compared to 3.4% in 2022. Please refer to the Appendix to the MD&A regarding these non-IFRS measures.

Revenue rose by 18.1% or $12,215 to a record $79,705 in 2023 compared to $67,490 in 2022. Interest income rose by 14.2% or $8,528 to $68,740 in 2023 compared to $60,212 in 2022 on a 4.9% increase in average funds employed and higher yields on floating rate finance receivables and loans. Other income increased by 50.7% or $3,687 to $10,965 compared to $7,278 in 2022 mainly due to higher termination fees. Average funds employed in 2023 increased to $471.7 million compared to $449.8 million in 2022.

Total expenses increased by 64.9% or $42,052 to $106,896 compared to 64,844 in 2022. Interest expense rose 46.5% or $11,212 to $35,299 from $24,087 in 2022 due to an increase in average interest rates and higher average bank indebtedness. The provision for credit losses increased by $16,183 to $24,476, due to a significant single account loss, compared to a provision of credit losses of $8,293 in 2022. G&A increased by 16.7% or $4,946 from 2022 due to additional personnel hired in business development and portfolio servicing during the latter half of 2022 and early 2023, in addition to a significant increase in professional fees incurred arising from the work related to investigating and enforcing rights against the borrower responsible for the single account loss and the subsequent effects on the Company. G&A expenses are comprised of personnel costs, which represent the majority of the Company's G&A costs, as well as information technology expenses, professional fees, and portfolio servicing costs, among others. The Company continues to manage its controllable expenses closely.

The provision for credit losses increased by $16,183 to $24,476 compared to $8,293 in 2022. $14,125 of the increased provision is attributable to the write-off of a single account. The provision for losses is comprised of:

Twelve months ended December 31	**2023**	2022
Net write-offs	**$ 8,941**	$ 5,523
Increase in allowance for expected credit losses	**1,410**	2,770
Net single accounting write-off	**14,125**	—
Total provision for expected credit losses	**$ 24,476**	$ 8,293

Total net write-offs excluding the single account loss increased by $3,418 to $8,941 in 2023 compared to $5,523 in the prior year and the non-cash allowance for expected credit loss decreased by $1,360, which is in line with management expectations. The Company's allowance for expected credit losses and its portfolio of Loans and managed receivables are discussed in detail below and in the Statements. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by individually significant insolvencies or losses.

An expense related to the impairment of goodwill of $11,876 was recognized in 2023 related to goodwill at the Company's U.S. operations compared to the impairment of goodwill of $1,883 in 2022 at the Company's Canadian operations.

There were no impairment charges taken in 2023 (2022 – $148) related to assets held for sale. Depreciation expense decreased by $139 to $563 (2022 – $702) in 2023. Depreciation of $409 (2022 – $502) was charged on the Company's right-of-use assets in 2023, while the balance of the expense related to capital assets. Business acquisition expenses in 2023 totalled $137 (2022 – $132).

Income tax expense declined by $12,799 to a recovery of $11,798 compared to an expense of $1,001 in 2022. Income tax declined on a $29.8 million decrease in the Company's share of pre-tax earnings. The Company's effective tax rate was 43.4%.

TABLE 1 – PROFITABILITY, YIELD AND EFFICIENCY RATIOS

(as a percentage)	**2023**	2022
Return on average equity	**(14.8%)**	1.4%
Adjusted return on average equity	**5.9%**	3.4%
Net revenue / average assets	**8.7%**	8.8%
Operating expenses* / average assets	**6.9%**	6.2%
Operating expenses* / revenue	**44.0%**	44.9%

** G&A and depreciation*

Table 1 highlights the Company's profitability in terms of returns on its average assets and equity.

Canadian operations reported a shareholders' net loss of $13,832 compared to net loss of $3,074 last year. The 2023 net loss is primarily attributable to the write off of a single account. Revenue increased by $10,385 or 26.6% to $49,422. Total expenses increased by $25,364 to $68,470. The primary components of the increase in expenses are the provision for credit losses which increased by $14,325 to $20,806 and interest expense, which increased by $8,500. Income tax decreased by $4,221 to a recovery of $5,216 on a $14,979 decrease in pre-tax loss. No impairment charge related to Canadian goodwill was recorded compared to $1,883 in 2022.

U.S. operations reported a shareholders' net loss of $793 compared to net earnings of $4,501 in 2022. The 2023 net loss is largely attributable to the write off of goodwill. Revenue increased by $1,639 or 5.6% to $30,798. Expenses increased by $16,497 to $38,941. The largest driver of the increase in expenses results from an impairment charge of $11,876 related to goodwill ($nil in 2022). The provision for credit losses increased by $1,858 to $3,670. Interest expense increased by $2,521, and G&A expenses increased by $251. Income tax decreased by $8,578 to a recovery of $6,582. Net loss attributable to non-controlling interests in subsidiaries totalled $768 compared to net earnings of $218 in 2022.

Fourth Quarter 2023

Quarter ended December 31, 2023 compared to quarter ended December 31, 2022

Shareholders' net loss for the quarter ended December 31, 2023 was $7,575 compared to a net loss of $3,663 last year. Shareholders' net loss increased mainly as a result of (i) a significant loss on a single account, (ii) a goodwill impairment related to the Company's U.S. operations and (iii) higher interest costs. Basic and diluted LPS were $0.89 compared to $0.43 in the fourth quarter of 2022.

Adjusted net earnings was $3,698 in the fourth quarter of 2023 compared to adjusted net loss of $1,828 last year. Adjusted net EPS was $0.43 compared to adjusted net LPS of $0.21 in 2022. Please refer to the Appendix to the MD&A regarding these non-IFRS measures.

Revenue increased by $5,528 or 30.1% to $23,898 in the current quarter compared to $18,370 in the fourth quarter of 2022. Interest income increased by $3,099 or 18.8% to $19,581 compared to $16,479 in the fourth quarter of 2022 on a 13.4% increase in average funds employed and to a lesser extent an increase in average loan yields. Other income increased by $2,429 to $4,320 in the current quarter compared to $1,891 in 2022, mainly due to higher termination fees. Average funds employed in the fourth quarter of 2022 increased to $502.7 million compared to $443.3 million last year.

Total expenses in the fourth quarter of 2023 increased by $19,097 to $39,772 compared to $20,675 last year. The primary drivers of the increase were the impairment of goodwill of $11,876, the provision for credit losses and interest expense.

The provision for credit losses increased by $5,183 to $8,306 in the fourth quarter compared to a provision of $3,123 in the fourth quarter of 2022.

Three months ended December 31	2023	2022
Net write-offs	**$ 17,744**	$ 1,843
Increase (decrease) in allowance for expected credit losses	**(9,438)**	1,280
Total provision for expected credit losses	**$ 8,306**	$ 3,123

Interest expense increased by 36.7% or $2,682 to $9,980 for the quarter, due to an increase in average interest rates for borrowing, compared to $7,298 in the fourth quarter of 2022. A portion of the increase is attributable to the increased margin charged on the Company's outstanding bank indebtedness, due to the decrease in tangible net worth ("TNW") from the single account loss, as calculated under the Company's credit agreement, which has tiered pricing based on TNW.

Additionally, there was an impairment loss of $11,876 related to goodwill at the Company's U.S. operations in the fourth quarter of 2023, compared to an impairment loss of $1,883 related to goodwill at the Company's Canadian operations in 2022. G&A increased by 17.0% or $1,366 mainly due to costs related to debenture amendments and professional fees associated with the work relating to investigating and enforcing rights against the borrower responsible for the single account loss and the subsequent effects on the Company. The Company continues to manage its controllable expenses closely.

No impairment was recorded against assets held for sale in the fourth quarter of 2023 (2022 – $110) to write them down to their estimated net realizable value ("NRV") (being fair value less costs of realization).

Income tax expense declined by $9,319 to a recovery of $7,981 in the current quarter compared to an expense of $1,338 in the fourth quarter of 2022 as pre-tax losses increased by $13,569. The Company's effective tax rate was 43.4%.

REVIEW OF FINANCIAL POSITION

Shareholders' equity at December 31, 2023 was $83.9 million compared to $101.0 at December 31, 2022. The significant decline in shareholders' equity is primarily attributed to the write-off associated with a single account and the write down of goodwill as previously discussed. Book value per common share was $9.80 at December 31, 2023 compared to $11.80 at December 31, 2022.

Total assets were $513.5 million at December 31, 2023, 4.4% higher than the $491.8 million at December 31, 2022. Total assets are largely comprised of Loans (funds employed). Excluding inter-company loans, identifiable assets located in the United States were 43.4% of total assets at December 31, 2023 compared to 47.4% at December 31, 2022 (see note 22 to the Statements).

TABLE 2 – FINANCIAL CONDITION AND LEVERAGE

(as a percentage)	2023	2022
Tangible equity / assets	**16.7%**	18.6%
Equity / assets	**17.3%**	21.7%
Debt* / total equity	**4.65x**	3.44x
(in thousands)		
Receivables and loans	**$ 476,674**	$ 452,678
Managed receivables	**—**	5,309
Total portfolio	**$ 476,674**	$ 457,987

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

Gross finance receivables and loans (also referred to as Loans or funds employed), before the allowance for expected credit losses thereon, increased 5.3% to

SUMMARY OF QUARTERLY RESULTS

Quarters ended (in thousands unless otherwise stated)	2023 Dec. 31	Sep. 30	June 30	Mar. 31	2022 Dec. 31	Sep. 30	June 30	Mar. 31
Average funds employed (millions)	$ 503	$ 478	$ 455	$ 451	$ 443	$ 445	$ 454	$ 457
Revenue								
Interest and other income	$ 23,898	$ 19,430	$ 17,933	$ 18,444	$ 18,370	$ 16,452	$ 16,490	$ 16,178
Expenses								
Interest	9,980	9,131	8,275	7,913	7,298	6,356	5,446	4,987
General and administrative	9,423	8,051	8,557	8,514	8,057	6,938	7,310	7,294
Provision for credit and loan losses	8,306	14,435	1,269	466	3,123	1,068	4,009	93
Impairment of goodwill	11,876	—	—	—	1,883	—	—	—
Impairment of assets held for sale	—	—	—	—	110	—	38	—
Depreciation	153	138	119	153	170	201	173	158
Business acquisition expenses	34	34	35	34	34	34	32	32
	39,772	31,789	18,225	17,080	20,675	14,597	17,008	12,564
Earnings (loss) before income tax	(15,874)	(12,359)	(322)	1,364	(2,305)	1,855	(518)	3,614
Income tax expense (recovery)	(7,981)	(3,342)	72	(547)	1,338	(17)	(768)	448
Net earnings (loss)	(7,893)	(9,017)	(394)	1,911	(3,643)	1,872	250	3,166
Non-controlling interests in net earnings (loss)	(318)	(211)	(131)	(108)	20	43	127	28
Net earnings (loss) attributable to shareholders	$ (7,575)	$ (8,806)	$ (263)	$ 2,019	$ (3,663)	$ 1,829	$ 123	$ 3,138
Adjusted net earnings (loss)	$ 3,698	$ 127	$ (166)	$ 2,156	$ (1,829)	$ 1,926	$ 171	$ 3,195
Earnings (loss) per common share **(cents)	(89)	(103)	(3)	24	(42)	21	1	37
Adjusted net earnings (loss) per common share(cents)**	43	1	(2)	25	(21)	22	2	37

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

$476.7 million at December 31, 2023 compared to $452.7 million at December 31, 2022. As detailed in the Statements, the Company's Loans comprised:

	Dec. 31, 2023	Dec. 31, 2022
Working capital loans	$ 116,128	$ 121,979
Receivable loans	90,128	86,788
Inventory & equipment loans	113,287	90,970
Media loans	85,246	87,770
Lease receivables	71,885	65,171
Finance receivables and loans, gross	476,674	452,678
Less allowance for expected credit losses	10,551	8,220
Finance receivables and loans, net	$ 466,123	$ 444,458

The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 46 clients in a wide variety of industries, as well as AFCC's and AEF's lease receivables and equipment and working capital loans to approximately 1,082 clients and BondIt's media finance loans to approximately 57 media productions. The largest client in a well-diversified loan portfolio comprised 4.0% of gross Loans.

In its credit protection and receivables management business, the Company contracted with clients to assume the credit risk associated with 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. The Company downsized this line of business in 2023 and as of December 31, 2023 there were $0 managed receivables compared to $5.3 million at December 31, 2022.

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

For its factoring products, the Company's primary focus continues to be on the creditworthiness and collectability of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date.

Receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on older receivables. Asset-based lending products additionally require focus on the performance of other collateral types (inventory, equipment and in certain cases real estate) as well as the underlying cash flows of the borrower. AFCC's and AEF's lease receivables and equipment and working capital loans are usually structured as term loans with payments spread out evenly over the term of the lease or loan, with terms up to 60 months. AFCC also has a revolving equipment loan product which has no fixed repayment terms and can be repaid at any time.

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

The Company also manages credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, applying concentration limits, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases or lends against. In its factoring operations, the Company administers and

collects the majority of its clients' receivables allowing it to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's Canadian small business finance operations, AFCC, security deposits are usually obtained in respect of equipment leases or loans, while a majority of ASBF's working capital loans have the benefit of a strong financial guarantor guaranteeing between 75% to 80% of the loan balance in the event of a loss.

As detailed in note 5 to the Statements, the Company had past due finance receivables and loans of $49,043 at December 31, 2023, of which $26,975 related to BondIt, the Company's media finance subsidiary, $19,427 related to AFCC and $16 to AEF. As of December 31, 2023, 17.3% or $82,579 of total finance receivables and loans were considered to have had a significant increase in credit risk ("SICR").

At December 31, 2023, the Company had impaired finance receivables and loans of $11,562 which represented 2.4% of total funds employed. The impaired loans, most of which have been written down to NRV, are mainly secured by receivables, inventory and equipment, the estimated NRV of which was $9,839 at December 31, 2023. As the vast majority of the Company's finance receivables and loans are secured, past due or impaired accounts do not necessarily lead to a significant expected credit loss ("ECL") based on the NRV of the 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. While these guarantees do not involve loans, as with the Company's lending businesses, all client and customer credit in excess of $2.5 million is approved by the Credit Committee of the Board on a case-by-case basis.

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

	December 31, 2023	
Industrial sector	Gross finance receivables and loans	% of total
Media	$ 92,693	19.4
Manufacturing	68,481	14.4
Construction	57,920	12.2
Wholesale Trade	53,408	11.2
Finance and Insurance	40,839	8.6
Retail Trade	29,826	6.3
Transportation and Warehousing	23,938	5.0
Waste Management and Remediation Services	20,894	4.4
Real Estate Rental and Leasing	20,652	4.3
Mining	15,861	3.3
Health Care and Social Assistance	14,930	3.1
Professional, Scientific, and Technical Services	13,922	2.9
Accommodation and Food Services	9,617	2.0
Other Services (except Public Administration)	6,618	1.4
Agriculture, Forestry, Fishing and Hunting	3.401	0.7
Educational Services	1,772	0.4
Arts, Entertainment, and Recreation	1,223	0.3
Management of Companies and Enterprises	418	0.1
Utilities	152	0.0
Public Administration	109	0.0
	$476,674	100.0

Industrial sector	December 31, 2022 Gross finance receivables and loans	% of total
Media	$ 93,622	20.7
Manufacturing	76,995	17.0
Construction	29,193	6.5
Wholesale Trade	48,938	10.8
Finance and Insurance	40,282	8.9
Retail Trade	19,947	4.4
Transportation and Warehousing	30,570	6.8
Waste Management and Remediation Services	33,356	7.4
Real Estate Rental and Leasing	8,351	1.8
Mining	28,134	6.2
Health Care and Social Assistance	6,822	1.5
Professional, Scientific, and Technical Services	10,049	2.2
Accommodation and Food Services	8,050	1.8
Other Services (except Public Administration)	6,343	1.4
Agriculture, Forestry, Fishing and Hunting	8,283	1.8
Educational Services	1,970	0.4
Arts, Entertainment, and Recreation	986	0.2
Management of Companies and Enterprises	471	0.1
Utilities	206	—
Public Administration	110	—
	$ 452,678	100.0

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

Industrial sector	**December 31, 2023 Managed receivables**	**% of total**
Wholesale and distribution	$ —	—
	$ —	—

Industrial sector	December 31, 2022 Managed receivables	% of total
Wholesale and distribution	$ 5,309	100.0
	$ 5,309	100.0

TABLE 3 – CREDIT QUALITY

(as a percentage)	**2023**	2023*** adjusted	2022
Reserves* / portfolio	**2.2%**	2.2%	1.8%
Reserves* / net write-offs and impairment charges**	**47.8%**	118.0%	144.9%
Net write-offs and impairment charges / revenue	**27.7%**	11.2%	8.4%

**Reserves comprise the total of the allowance for expected credit losses on Loans and on the guarantee of managed receivables.*
***Net write-offs against Loans and impairment charges on assets held for sale.*
****Adjusted net write-offs excluding the single account loss.*

Table 3 highlights the credit quality of the Company's total portfolio, both Loans and managed receivables. Net write-offs in the Company's lending businesses increased to $22,073 (or $8,948 net of the single account loss) in 2023 compared to $5,564 last year. There were no impairment charges against assets held for sale in 2023 (2022 – $148). The Company's total net write-offs and impairment charges in 2023, as set out in the Results of Operations section above, increased to $22,066 (or $8,941 excluding the single account loss) compared with $5,523 in 2022. After the customary detailed period-end review of the Company's portfolio by its Risk Management Committee, it was determined that all problem loans and accounts were identified and provided for where necessary. The Company maintains separate allowances for expected credit losses on both its Loans and its guarantee of managed receivables, at amounts which, in management's judgment, are sufficient to cover expected credit losses thereon.

The Company's allowance for expected credit losses on Loans, calculated under the ECL criteria of IFRS 9, totalled $10,551 at December 31, 2023 compared to $8,189 at December 31, 2022. This represents management's best estimate of expected credit losses based on information available at those dates. The economic impacts of the high interest rate environment continue to affect the Company's loan portfolio to varying degrees and the measurement of the allowance could fluctuate substantially in future periods. The allowance for expected credit losses on

the guarantee of managed receivables was $nil at December 31, 2023 and $31 in December 31, 2022.

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

Assets held for sale, stated at their NRV, totalled $440 at December 31, 2023 (2022 – $108) and comprised certain assets securing defaulted finance receivables and loans from a number of clients and repossessed long-lived assets.

Cash decreased to $5,914 at December 31, 2023 compared to $11,630 at December 31, 2022. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Restricted cash comprises cash held as security for non-recourse borrowings. Restricted cash totalling 5% of the outstanding loan balance is held in a cash reserve account and is partially released as the loan balance is repaid. Further, cash receipts from the loan collateral securing the non-recourse borrowings are deposited in a cash collection account and can only be used to repay that debt. As at December 31, 2023, the restricted cash balance totalled $3,782 (2022 – $6,625).

Intangible assets, net of accumulated amortization, totalled $2,996 at December 31, 2023 compared to $3,201 at December 31, 2022. Intangible assets totalling US$2,885 were acquired upon the acquisition of AEF on October 27, 2017 and comprised customer and referral relationships and brand name. These assets are carried in the Company's U.S. subsidiary and are translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Customer and referral relationships are being amortized over a period of 15 years, while the acquired brand name is considered to have an indefinite life and is not amortized. Intangible assets comprising existing customer contracts and broker relationships were also acquired as part of the AFCC acquisition on January 31, 2014. These were being amortized over a period of 5 to 7 years and were fully amortized in 2022.

The goodwill balance at December 31, 2023 is $nil, compared to $12,075 at December 31, 2022. The decrease results from a $11,876 write-off of goodwill (and foreign exchange impact of $199) associated with the Company's U.S. operations, which represents the entire goodwill balance. Goodwill of US$2,409 and US$5,538 was acquired on the acquisition of BondIt and AEF on July 1, 2017, and October 27, 2017, respectively. In addition, there was US$962 from a much earlier acquisition. The Company performs an annual goodwill impairment test by estimating the fair value of U.S. CGU based primarily on a multiple of recent actuals and future earnings. The significant variability in earnings of the U.S. operations over the last three years, combined with a significant increase in funding costs over the same period, makes the timeline to a return to earnings growth difficult to predict. As a result, the Company took the prudent step to recognize an impairment loss.

Other assets increased by $7,235 to $12,292 at December 31, 2023 compared to $5,057 at December 31, 2022. The increase is due to a higher balance of prepaid expenses, $4,587 (2022 – $2,723) and a higher balance of amounts due from Export Development Canada ("EDC") of $7,372 (2022 – $1,315). Income taxes receivable, and property and equipment at December 31, 2023 and 2022 were not significant.

Deferred tax assets increased by $12,357 to $18,622 at December 31, 2023 compared to $6,265 at December 31, 2022. The increase is due to higher pre-tax losses in 2023, which resulted in a significant loss carryforward. The Company expects to generate future earnings to utilize the deferred tax asset balance to reduce income taxes payable.

Total liabilities increased by $39.7 million to $424.8 million at December 31, 2023 compared to $385.2 million at December 31, 2022. The increase is mainly due to an increase in bank indebtedness, partially offset by repayments of loans payable.

Amounts due to clients decreased by $1,683 to $144 at December 31, 2023 compared to $1,827 at December 31, 2022. Amounts due to clients principally consist of collections of receivables not yet remitted to clients or security deposits held on account. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness increased by $67,069 to $281,124 at December 31, 2023 compared to $214,055 at December 31, 2022 due to an increase in funds employed. The Company's revolving credit facility was amended in July 2023 reducing the maximum commitment from $436.5 million to $375.0 million in an effort to reduce the amount of unused line fees being incurred by the Company. Pricing for drawn amounts under the revolving credit facility are primarily based on bankers' acceptances plus a margin for Canadian dollar borrowings or the secured overnight financing rate ("SOFR") plus a margin for U.S. dollar borrowings. The margin is based on a measure of leverage at each quarter end. The Company was not in compliance with one covenant in its revolving credit facility at December 31, 2023, (December 31, 2022 – one covenant). In addition to receiving a waiver from its banking syndicate for both 2023 and 2022, certain terms and covenants of the credit agreement were amended. Subject to other debt borrowings, bank indebtedness principally fluctuates with the amount of funds employed. As discussed below under "Liquidity and Capital Resources", subsequent to year end the Company amended its primary credit facility which reset the total facility limit as well as certain covenants providing a longer-term more stable operating scenario.

Loans payable decreased by $26,627 to $82,412 at December 31, 2023 compared to $109,039 at December 31, 2022. In December 2021, ASBF entered into a non-recourse loan and security agreement with a life insurance company to finance a portion of its AccordExpress working capital loans. This non-recourse loan is collateralized by the majority of ASBF's assets and bears a fixed rate of interest of 3.55%. At December 31, 2023, the amount outstanding under this loan facility totalled $22,465 (2022 – $44,368). ASBF experienced a trigger event as a result of the breached covenant under the Company's revolving credit facility at December 31, 2023 and 2022. The lender has provided waivers subsequent to December 31, 2023, and 2022, respectively.

Accounts payable and other liabilities decreased by $3,169 to $8,057 at December 31, 2023 compared to $11,226 at December 31, 2023.

Notes payable increased by $4,310 to $22,915 at December 31, 2023 compared to $18,605 at December 31, 2022. The increase in notes payable resulted from an increase in demand notes from related parties.

Convertible debentures with a face value of $25,650 (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 ("Listed Debentures") on the Toronto Stock Exchange ("TSX"), while 5,000 ("Unlisted Debentures") are unlisted. All debentures are unsecured and pay interest semi-annually on June 30 and December 31 each year. On August 10, 2023, debentureholders approved amendments to extend the maturity date of the Listed Debentures to January 31, 2026, increase the interest rate to 10.0%, remove the conversion feature and remove the right of the Company to repay the debentures in common shares. All debentureholders who voted in favor of the amendments received a consent fee equal to $20 for every $1,000 voted. The total amount of consent fees paid was $330. As of December 31, 2023, the Company agreed with the holders of Unlisted Debentures to extend the maturity date of the Unlisted Debentures to July 15, 2024, increase the interest rate to 10.0%, remove the conversion feature and remove the

right of the Company to repay the debentures in common shares. The Company incurred an extension fee of $25. The Company performed an assessment in accordance with the requirements of IFRS 9 and determined that removing the conversion feature represents a substantial modification, triggering a derecognition of the original Listed Debentures and Unlisted Debentures, and recognition of new liabilities. At December 31, 2023, the debt component of all debentures totalled $25,717 compared to $24,864 at December 31, 2022, while the equity component totalled $1,005 at December 31, 2023 and December 31, 2022, net of deferred tax.

Income taxes payable, lease liabilities, deferred income and net deferred tax liabilities at December 31, 2023 and 2022 were not material.

Capital stock totalled $9,448 at December 31, 2023 and 2022. There were 8,558,913 common shares outstanding at those dates.

Contributed surplus totalled $1,774 at December 31, 2023 (2022 – $1,705).

Retained earnings decreased by $16,551 to $65,608 at December 31, 2023 compared to $82,159 at December 31, 2022. The decrease in 2023 comprised shareholders' net loss of $14,625 less dividends paid of $1,926 (22.5 cents per common share).

The Company's accumulated other comprehensive income ("AOCI") account solely comprises the cumulative unrealized foreign exchange income arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance decreased to $7,074 at December 31, 2023 compared to $7,659 at December 31, 2022.

Non-controlling interests in subsidiaries totalled $4,759 at December 31, 2023 compared with $5,640 at December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

As disclosed in our third quarter report, Accord's net earnings were impacted by a significant provision for losses related to a single account. In December 2023, an assignment in bankruptcy was filed by the borrower in question and the trustee in bankruptcy confirmed that the borrower had been perpetrating fraud through the creation of falsified documents for many years. The bankruptcy process is still underway, but Accord expects to recover less than $1 million on that account and took a $13.1 million write-off in the fourth quarter. Since the fourth quarter the Company has been exploring various options to address the reduction in equity created by the loss.

On March 15, 2024, Accord finalized an amendment to its primary credit facility which matures in July 2025 (the "facility agreement"). Following the single account loss, the Company was operating under a series of facility agreement waivers, which provided temporary relief from a technical default caused by a reduction in permitted borrowings as a result of the loss. Since November, the Company undertook several balance sheet-related initiatives to successfully cure the technical default. The March 15 amendment modifies certain key elements of the facility agreement, providing a longer-term, more stable operating scenario.

The March amendment resets the total facility limit to be more appropriate to the Company's current tangible equity (post single account loss) and current level of borrowings, and at the same time allow the Company to reduce its standby fees for the unused portion of the facility. The facility limit has been reduced from $375 million to $300 million and will be reduced further to $260 million by January 2025. In addition, a minimum availability requirement was amended and will be measured as the difference between eligible collateral and the outstanding bank loan balance. While the Company has historically carried excess collateral as a matter of course, the amendment provides for specific

levels starting at $15 million and rising to $25 million by January 2025. This provides for more conservative leverage overall, which we consider prudent in the current economic climate.

Further, the amendment resets the interest coverage ratio covenant (“ICR covenant”) and adds a new leading EBITDA performance metric, both of which are more consistent with the Company’s 2024 and 2025 operating plans. The amendment also includes an increase in the margin added to the applicable index rate for drawn amounts under the revolving facility of 100bps. Immediately prior to the amendment, Accord’s average interest rate for SOFR-based borrowings was approximately 8.2% and for borrowings based on Banker’s Acceptances the average interest rate was approximately 8.1%.

While the amendment provides adequate time and flexibility for Accord to manage its level of borrowings, for the immediate future, the Company has limited growth capital to invest in new business opportunities. In response, the Company is evaluating a number of strategic initiatives to generate additional cash and capital to maximize shareholder value. Initiatives under consideration include alternative financing arrangements to support, replace or add to current debt facilities in the private market. Additionally, a review of the fundamental core businesses may result in decisions to change product mix, and/or divest one or more non-core subsidiaries. The March 15 amendment contains milestones related to initiating discovery for certain strategic initiatives in the coming months.

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, and interest payments over the next twelve months. The Company suspended dividend payments in the fourth quarter, which conserves cash as it explores options to increase liquidity and capital for portfolio growth over the next twelve months.

Fiscal 2023 cash flows

Year ended December 31, 2023 compared with the year ended December 31, 2022

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments decreased to $10,750 in 2023 compared to $14,662 last year. After changes in operating assets and liabilities and income tax paid there was a net cash outflow of $51,116 in 2023 compared to an inflow of $31,508 last year. The net cash outflow in 2023 largely resulted from funding of Loans of $51,566. The net cash inflow in 2022 largely resulted repayment of Loans of $36,481.

Cash outflows from investing activities in 2023 totalled $236 (2022 – $175) and comprised additions to property and equipment.

Net cash inflow from financing activities totalled $43,192 in 2023 compared to an outflow of $32,272 last year. The net cash inflow in 2023 primarily resulted from increase in bank indebtedness of $66,470, partially offset by a repayment of loans payable of $25,221. In 2022 the net cash outflow primarily resulted from repayment of loans payable of $44,756, partially offset by an increase in bank indebtedness of $6,683.

The effect of foreign exchange rate changes on cash comprised a decrease of $399 in 2023 compared to an increase of $46 in 2022.

Overall, there was a net cash outflow of $8,559 in 2023 compared to a net cash outflow of $5,893 in 2022.

RELATED PARTY TRANSACTIONS

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT DECEMBER 31, 2023

	Payments due in				
	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter	Total
Debt obligations	$ 373,013	$ 39,299	$ —	$ —	$ 412,312
Operating lease obligations	506	912	456	461	2,335
Purchase obligations	—	75	—	—	75
	$ 373,519	$ 40,286	$ 456	$ 461	$ 414,722

Notes payable totalled $22,915 at December 31, 2023 compared to $18,605 at December 31, 2022. Notes payable comprise: (i) unsecured demand notes due on, or within a week of, demand of $4,565 (December 31, 2022 – $4,717); (ii) term notes totalling $18,350 (December 31, 2022 – $13,888), which are repayable on various dates the latest of which is July 31, 2025. Notes due on, or within a week of demand, bear interest at rates that vary with the bank prime rate, while the term notes bear interest at rates between 7.25% and 11%.

Of the notes payable, $20,494 (December 31, 2022 – $16,411) was owing to related parties and $2,421 (December 31, 2022 – $2,194) to third parties. Interest expense on these notes in 2023 totalled $1,523 (2022 – $1,318). Please refer to note 13(a) to the Statements.

The following related parties had notes payable with the Company at December 31, 2023.

Demand notes payable	Relationship	
Hitzig Bros., Hargreaves & Co. Inc.*	Director	$4,000,000
Hitzig Bros., Hargreaves & Co. LLC.*	Director	US$1,000,000
Ken Hitzig		$500,000
Term notes payable		
Hitzig Bros., Hargreaves & Co. Inc.*	Director	$4,000,000
Hitzig Bros., Hargreaves & Co. LLC.*	Director	US$3,000,000
Oakwest Corporation Inc.*	Director	$3,000,000
Ken Hitzig		$2,500,000
Keewatin House inc.		$1,000,000

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

Accord pays a rate of interest related to Canadian prime (as of December 31, 2023, the rate was 7.20%) on its Canadian dollar unsecured demand notes payable. This interest rate is typically below the interest rate the Company pays on its primary revolving credit facility, agented by The Bank of Nova Scotia ("BNS") resulting in interest savings to the Company.

The US$3.0 million related-party term note is from BondIt and pays a 10.5% interest rate.

Upon renewal of the BNS facility in July 2022 the Company renewed certain unsecured three-year term notes payable which had matured on July 31, 2022 for a further three-year term, expiring on July 31, 2025. These term notes, accrued interest at a rate of 7.25% through December 31, 2023 and accrue interest at 10.00% from January 1, 2024, and are solely with related parties. The renewed revolving credit facility allows these notes to be treated as "quasi equity" and be included in the Company's tangible net worth ("TNW") for the purposes of leveraging its bank line (up to 4.0 x TNW). This created additional borrowing capacity for the Company.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recorded at amortized cost, with the exception of the guarantee of managed receivables which are all recorded at fair value. Financial assets and liabilities, other than the lease receivables and loans to clients in our equipment and small business finance operations, term loan payable and lease liabilities,

are short term in nature and, therefore, their carrying values approximate fair values.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

(i) the allowance for expected credit losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for expected credit losses on each of the above items at amounts which, in management's judgment, are sufficient to cover credit 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 ("FLI"). The key inputs in the measurement of ECL allowances for each loan are as follows: (i) the probability of default ("PD") which is an estimate of the likelihood of default over a given time horizon; (ii) the LGD which is an estimate of the loss arising in the case where a default occurs at a given time; and (iii) the exposure at default ("EAD") which is an estimate of the exposure at a future default date. These key inputs associated with each loan are sensitized to future market and macro-economic conditions through the incorporation of FLI. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency, or may result from severe adverse economic conditions as we have and are seeing as a result of Covid-19 pandemic.

The Company's allowance for expected credit 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 SICR and which cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. Stage 1 ECL results from default events on the financial instrument that are possible within the twelve-month period after the reporting date. Stage 1 accounts are considered to be in good standing. The Company's Stage 2 allowances are based on a review of the loan or managed receivable and comprises an allowance for those financial instruments which have experienced a SICR since initial recognition. Lifetime ECL are recognized for all Stage 2 financial instruments. Stage 3 financial instruments are those that the Company has classified as impaired. The Company classifies a financial instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Lifetime ECL are recognized for all Stage 3 financial instruments. In Stage 3, financial instruments are written off, either partially or in full, against the related allowance for expected credit losses when the Company judges that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net recoverable value. Any subsequent recoveries of amounts previously written off are credited to the respective allowance for expected credit losses.

Management believes that its allowances for expected credit losses, which require a high degree of reasonable and supportable credit judgment, are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and in notes 3(d), 5 and 23(a) to the Statements.

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

Control environment

There have been no changes to the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") during 2023 that have materially affected, or are reasonably likely to materially affect, DC&P or 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.

Disclosure controls and procedures

The Company's management, including its President and Chief Financial Officer, are responsible for establishing and maintaining the Company's disclosure controls and procedures and has designed same to provide reasonable assurance that material information relating to the Company is made known to it by others within the Company on a timely basis. The Company's management has evaluated the effectiveness of its disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA")) as at December 31, 2023 and has concluded that such disclosure controls and procedures are effective.

Management's annual report on internal control over financial reporting

The following report is provided by the Company's management, including its President and Chief Financial Officer, in respect of the Company's internal control over financial reporting (as defined in the rules of the CSA):

(i) the Company's management is responsible for establishing and maintaining adequate internal control over financial reporting within the Company. All 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;

(ii) the Company's management has used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework to evaluate the design of the Company's internal control over financial reporting and test its effectiveness; and

(iii) the Company's management has designed and tested the effectiveness of its internal control over financial reporting as at December 31, 2023 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS and advises that there are no material weaknesses in the design of internal control over financial reporting that have been identified by management.

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

The Company's business is dependent on its capital resources

The Company's ability to operate is dependent on future profitable operations and the future availability of equity and/or debt financing. The Company will require additional financing from debt, equity, and/or other alternatives in order to grow the portfolio and to refinance its existing debt obligations. The Company is evaluating a number of strategic initiatives to generate additional capital, including alternative financing arrangements to support, replace or add to current debt facilities in the private market. Additionally, a review of the fundamental core businesses may result in decisions to change product mix or undertake divestures of business lines or assets. There is no assurance that any of these initiatives will be successful, timely or sufficient.

Deterioration in economic and business uncertainty

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

Unfavorable economic conditions may 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 conditions and results of operations.

Competition from alternative sources of financing

The Company operates in an intensely competitive environment and its results could be significantly affected by the activities of other industry participants. The Company expects this level of competition to persist in the future as the markets for its services continue to develop and as additional companies enter its markets. There can be no assurance that the Company will be able to compete effectively with current or future competitors.

If the Company's competitors engage in aggressive pricing policies with respect to services that compete with those of the Company's, the Company would likely lose some clients or be forced to lower its rates, both of which could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, some of the Company's competitors may have greater access to capital or 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 borrowings currently exceed its floating rate assets, the Company is exposed to some degree to interest rate fluctuations. Fluctuations in interest rates may have a material adverse impact on the Company's business, financial condition and results of operations.

Foreign currency risk

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

External financing

The Company depends and will continue to depend on the availability of credit from external financing sources, to continue to, among other things, finance new and refinance existing loans and satisfy the Company's other working capital needs. Following significant loan loss provisions in the third quarter, which reduced permitted bank borrowings, the Company was operating under a series of waivers, which provided temporary relief from a technical default under its primary credit facility. In March 2024, the Company entered an amendment to its credit facility which, among other things, reduced the total facility limit and modified certain operating and financial covenants. The Company believes that with this amendment, current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet its cash requirements for working capital and operating expenditures but expects that for the immediate future the Company will have limited growth capital to invest in new business opportunities. 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.

The Company's primary credit facility matures in July 2025 and it has unsecured subordinated debentures outstanding that mature in July 2024 and January 2026. 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 its business, financial condition and results of operations. Please also see comments regarding business conditions on page 23 and Liquidity and Capital Resources on page 17.

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 (including its ability to originate new business opportunities), 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 tax 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 prior 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. Prior acquisitions by the Company have increased the size of the Company's operations and the amount of indebtedness that will have to be serviced by the Company and any future acquisitions by the Company, if they occur, may result in further increases in the Company's operations or indebtedness. The successful integration and management of any recently acquired businesses or businesses acquired in the future involves numerous risks that could adversely affect the Company's business, financial condition, or results of operations, including: (i) the risk that management may not be able to successfully manage the acquired businesses and that the integration of such businesses may place significant demands on

management, diverting their attention from the Company's existing operations; (ii) the risk that the Company's existing operational, financial, management, due diligence or underwriting systems and procedures may be incompatible with the markets in which the acquired business operates or inadequate to effectively integrate and manage the acquired business; (iii) the risk that acquisitions may require substantial financial resources that otherwise could be used to develop other aspects of the Company's business; (iv) the risk that as a result of acquiring a business, the Company may become subject to additional liabilities or contingencies (known and unknown); (v) the risk that the personnel of any acquired business may not work effectively with the Company's existing personnel; (vi) the risk that the Company fails to effectively deal with competitive pressures or barriers to entry applicable to the acquired business or the markets in which it operates or introduce new products into such markets; and (vii) the risk that the acquisition may not be accretive to the Company. The Company may fail to successfully integrate such acquired businesses or realize the anticipated benefits of such acquisitions, and such failure could have a material adverse impact on the Company's business, financial condition and results of operations.

Fraud by borrowers, lessees, vendors or brokers

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

Technology and cyber security

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

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

Data management and privacy risk

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

Risk of future legal proceedings

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

Dividends

The Company pays dividends if, as and when declared by the board of directors. The Company suspended dividend payments in the fourth quarter of 2023 as a prudent measure to conserve cash and strengthen the Company's capital base. While the board will reassess the Company's dividend policy in the normal course, there is no assurance that the dividend will be reinstated at the same rate or at all.

OUTLOOK

The economic environment continues to cause stress in the business sector, which provides the ingredients for increasing new business opportunities for non-bank lenders including Accord Financial. However, inflation and relatively high interest rates have created challenges for small- and medium-sized businesses, which elevate overall credit risk in the market, and generally lead to a more conservative approach by many of our clients (and prospective clients) to incur incremental debt to buy equipment, expand operations, or make acquisitions. In keeping with this backdrop Accord will maintain a conservative approach to adding new business. The Company's funds employed increased modestly over the year to $476.7 million at December 31, 2023.

As we enter 2024, the Company is exploring a number of strategic initiatives. Initiatives under consideration include arranging private debt financing to add to or replace current debt facilities, as well as a review of the fundamental core businesses, which might result in changes to product mix, and/or a sale of one or more non-core subsidiaries. Strategic initiatives will be undertaken for the purpose of strengthening the Company's capital position and increasing value for shareholders, however, there is no assurance that the Company will be successful in completing any strategic initiative in the near term or at all.

The Company's outlook is also affected by the reduced tangible equity in the wake of the 2023 write-offs, and the March amendment to the Company's primary credit facility. While the amendment reduces the overall facility limit to be more appropriate for the Company's current portfolio size, and tangible equity, future portfolio growth is expected to be constrained if the Company is unable to secure alternative funding sources and/or effectively execute other potential strategic initiatives over the course of 2024 and into 2025. Our lending teams continue to manage the operating businesses, maximizing opportunities within the Company's current funding capacity.

AFCC, the Company's Canadian small business finance division, recently launched a new program in partnership

with Export Development Canada (“EDC”); the Accord|EDC Trade Expansion Lending Program (“TELP”) builds on Accord’s success in tailoring EDC programs specifically for the small business sector. Accord|EDC TELP supports companies engaged in the export supply chain (including companies supporting exporters with goods and services), offering working capital from $250,000 to $3 million through revolving or term loan structures. The program is expected to grow in 2024.

The current economic conditions, including an increasingly risk averse banking sector, are conducive to growth of the Company’s two ABL/factoring units, AFIC and AFIU. We are seeing increasing new business opportunities in both divisions, however, given the general increase in credit risk across numerous sectors, we intend to remain highly selective in closing new transactions, and as a result, expect modest growth.

AEF, the Company’s U.S. equipment finance division, is coming off a strong year, and we anticipate continued growth in 2024. As the interest rate cycle appears to be topping out, the middle market companies AEF typically finances appear to be more comfortable ramping up new investment in equipment.

BondIt Media Capital continues to operate with its own dedicated senior credit facility, which has proven to fall short of the flexibility, pricing and size needed to capitalize on the market potential in the media finance space. In addition, BondIt is facing an increasingly competitive landscape in 2024, creating additional pressure on growth and pricing. The credit facility matures in the second quarter of 2024. Discussions are underway to replace it with a new lender on more competitive terms, which if successful, will lead to more favorable operating metrics.

AFL, having wound down it’s international credit guarantee and collections business in 2023, is in the process of developing a new program aimed at providing guarantee-related services to Canadian exporters. In recent years, AFL’s contribution has not been financially significant to the Accord group overall.

The challenging economic environment is likely to weaken the payment performance of some of the Company’s existing clients, in particular in the small business portfolio. While the current allowance for expected loan losses fully reflects our expert credit judgment and third-party economic forecasts, it is possible that the economy underperforms expectations. And finally, in the current environment, the Company is favoring financially stronger clients, which could have the effect of lowering average yields.

While there are economic and business challenges to navigate, the Company is positioning for success through both strategic initiatives and stronger operating results in 2024. For more than four decades the Company has successfully navigated through multiple economic cycles, giving us valuable perspective as the current environment unfolds.

Irene Eddy
Senior Vice President, Chief Financial Officer
March 22, 2024

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

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

Fiscal Year Non-IFRS Calculations

	Year ended Dec. 31 2023	2022	2021
Return on Equity			
Net earnings (loss) attributable to common shareholders	$ (14,625)	$ 1,427	$ 11,887
Weighted average shareholders' equity (note)	98,545	101,981	94,432
Return on equity (annualized)	(14.8%)	1.4%	12.6%

Note: weighted average shareholders' equity is the average shareholder's equity calculated for each month of the fiscal year and divided by the number of months in the period.

	Year ended Dec. 31 2023	2022	2021
Adjusted net earnings (loss)			
Net earnings (loss) attributable to shareholders	$ (14,625)	$ 1,427	$ 11,887
Adjustments, net of tax:			
Goodwill impairment	8,729	1,384	—
Net single account write-off and associated costs	10,961	—	—
Restructuring and other expenses	752	652	1,181
Adjusted net earnings (loss) attributable to shareholders	$ 5,817	$ 3,463	$ 13,068

	Year ended Dec. 31 2023	2022	2021
Adjusted earnings (loss) per share			
Adjusted net earnings	$ 5,817	$ 3,463	$ 13,068
Weighted average number of common shares outstanding in the period	8,559	8,559	8,559
Adjusted earnings (loss) per share	$ 0.68	$ 0.40	$ 1.53

	Year ended Dec. 31 2023	2022	2021
Adjusted return on equity			
Adjusted net earnings (loss)	$ 5,817	$ 3,463	$ 13,068
Weighted average shareholders' equity (note)	98,545	101,981	94,432
Adjusted return on equity (annualized)	5.9%	3.4%	13.8%

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

	Year ended Dec. 31 2023	2022	2021
Average funds employed (note)			
Fiscal year	$ 471,713	$ 449,830	$ 402,015
Quarter 1	$ 451,419	$ 457,395	$ 358,091
Quarter 2	$ 455,204	$ 454,011	$ 375,593
Quarter 3	$ 477,524	$ 444,603	$ 414,199
Quarter 4	$ 502,705	$ 443,310	$ 460,179

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

	2023	2022	2021
Return on average assets			
Net earnings (loss) attributable to shareholders	$ (14,625)	$ 1,427	$ 11,887
Average assets (note)	$ 512,238	$ 492,386	$ 431,523
Return on average assets	(2.9%)	0.3%	2.8%

Note: average assets is calculated as the average of the opening and closing assets for the fiscal year as taken from the Company's Consolidated Balance Sheets.

	Year ended Dec. 31 2023	2022	2021
Net revenue / average assets			
Net revenue	$ 44,406	$ 43,403	$ 47,594
Average assets	$ 512,238	$ 492,386	$ 431,523
Net revenue / average assets	8.7%	8.8%	11.0%

Note: net revenue is revenue less interest expense as taken from the Company's Statements of Earnings for the year.

	2023	Year ended Dec. 31 2022	2021
Operating expenses / average assets			
Operating expenses	**$ 35,108**	$ 30,301	$ 32,151
Average assets	**$ 512,238**	$ 492,386	$ 431,523
Operating expenses / average assets	**6.9%**	6.2%	7.5%

Note: operating expenses is the total of general & administrative expenses and depreciation as taken from the Company's Statement of Earnings for the year.

	2023	Year ended Dec. 31 2022	2021
Operating expenses / revenue			
Operating expenses	**$ 35,108**	$ 30,301	$ 32,151
Revenue	**$ 79,705**	$ 67,490	$ 63,480
Operating expenses / revenue (Table 1)	**44.0%**	44.9%	50.6%

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Book value per share			
Shareholders' equity	**$ 83,904**	$ 100,971	$ 99,967
Common shares outstanding	**8,559**	8,559	8,559
Book value per share	**$ 9.80**	$ 11.80	$ 11.68

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Tangible equity (note)			
Equity	**$ 88,663**	$ 106,611	$ 103,960
Less: Intangible assets	**2,996**	3,201	3,113
Less: goodwill	**—**	12,075	13,140
Tangible equity	**$ 85,667**	$ 91,335	$ 87,707

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

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Tangible equity / assets			
Assets	**$ 513,480**	$ 491,762	$ 520,109
Tangible equity	**85,667**	91,335	87,707
Tangible equity / assets	**16.7%**	18.6%	16.9%

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Equity / assets			
Total equity	**$ 88,663**	$ 106,611	$ 103,960
Assets	**513,480**	491,762	520,109
Equity / assets	**17.3%**	21.7%	20.0%

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Debt / equity			
Debt (note)	**$ 412,168**	$ 366,563	$ 396,964
Equity	**88,663**	106,611	103,960
Debt / equity	**4.65x**	3.44x	3.82x

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

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Portfolio			
Finance receivables and loans	**$ 476,674**	$ 452,678	$ 478,150
Managed receivables (note)	**—**	5,309	11,441
Portfolio	**$ 476,674**	$ 457,987	$ 489,591

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

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Reserves			
Allowance for expected losses on loans	$ 10,551	$ 8,189	$ 5,251
Allowance for expected losses on managed receivables	—	31	31
Reserves	$ 10,551	$ 8,220	$ 5,282

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Reserves / portfolio			
Reserves	$ 10,551	$ 8,220	$ 5,282
Portfolio	476,674	457,987	489,591
Reserves / portfolio	2.2%	1.8%	1.1%

	2023	2022	2021
Net write-offs & impairment of assets held for sale			
Net write-offs (note)	$ 22,066	$ 5,523	$ 938
Impairment of assets held for sale ("impairment charges")	—	148	1,253
Net write-offs and impairment charges	$ 22,066	$ 5,671	$ 2,191

Note: net write-offs are write-offs less recoveries of finance receivables and loans and the guarantee of managed receivables.

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Reserves / net write-offs and impairment charges			
Reserves	$ 10,551	$ 8,220	$ 5,282
Net write-offs and impairment charges	22,066	5,671	2,191
Reserves / net write-offs and impairment charges (Table 3)	47.8%	144.9%	241.1%

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Net write-offs and impairment charges / revenue			
Net write-offs and impairment charges	$ 22,066	$ 5,671	$ 2,191
Revenue	79,705	67,490	63,480
Net write-offs and impairment charges / revenue (Table 3)	27.7%	8.4%	3.5%

Quarterly Non-IFRS Calculations

	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 1, 2022
Adjusted net earnings (loss)								
Net earnings (loss) attributable to shareholders	$ (7,575)	$ (8,806)	$ (263)	$ 2,019	$ (3,663)	$ 1,813	$ 122	$ 3,138
Adjustments, net of tax:								
Goodwill impairment	8,729	—	—	—	1,384	—	—	—
Net single account write-off and associated costs	2,563	8,398	—	—	—	—	—	—
Restructuring and other expenses	(19)	535	97	139	451	95	49	57
Adjusted net earnings (loss) attributable to shareholders	$ 3,698	$ 127	$ (166)	$ 2,158	$ (1,828)	$ 1,926	$ 171	$ 3,195

	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Adjusted earnings (loss) per share								
Adjusted net earnings (loss)	$ 3,698	$ 127	$ (166)	$ 2,158	$ (1,828)	$ 1,926	$ 171	$ 3,195
Weighted average number of common shares outstanding in the period	8,559	8,559	8,559	8,559	8,559	8,559	8,559	8,559
Adjusted earnings (loss) per share	$ 0.43	$ 0.01	$ (0.02)	$ 0.25	$ (0.21)	$ 0.22	$ 0.02	$ 0.37

Ten Year Financial Summary 2014-2023

All figures are in thousands of dollars except earnings per common share, dividends per common share, book value per share, share price history and return on average equity.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
	$	$	$	$	$	$	$	$	$	**$**
Revenue	30,235	31,577	28,523	31,409	46,927	56,175	48,501	63,481	67,490	**79,705**
Interest	2,523	2,258	2,281	3,847	9,407	17,089	14,596	15,887	24,087	**35,299**
General and administrative	16,154	17,484	17,427	16,945	23,524	26,151	26,458	31,456	29,599	**34,545**
Provision for credit and loan losses	638	374	964	2,898	2,025	7,105	9,403	(614)	8,293	**24,476**
Impairment of goodwill	—	—	—	—	—	—	—	—	1,883	**11,876**
Impairment of assets held for sale	—	51	44	24	25	—	1,087	873	148	**—**
Depreciation	126	136	153	161	279	727	721	695	702	**563**
Business acquisition expenses	570	575	510	932	336	(1,818)	298	235	132	**137**
Total expenses	20,011	20,878	21,379	24,807	35,596	49,254	52,563	48,532	64,844	**106,896**
Earnings (loss) before income tax expense	10,224	10,699	7,144	6,602	11,331	6,921	(4,062)	14,949	2,646	**(27,191)**
Income tax expense (recovery)	3,345	1,940	578	391	104	1,579	(4,670)	1,727	1,001	**(11,798)**
Net earnings (loss)	6,879	8,759	6,566	6,211	11,227	5,342	608	13,222	1,645	**(15,393)**
Net earnings (loss) attributable to non-controlling interests	—	—	—	201	871	(1,102)	191	1,335	218	**(768)**
Net earnings (loss) attributable to shareholders	$ 6,879	8,759	6,566	6,010	10,356	6,444	417	11,887	1,427	**(14,625)**
Earnings (loss) per share (basic and diluted)	0.83	1.05	0.79	0.72	1.24	0.76	0.05	1.39	0.17	**(1.71)**
Dividends per share	$ 0.33	0.35	0.36	0.36	0.36	0.36	0.24	0.20	0.30	**0.23**
Finance receivables and loans, net	$ 136,346	134,259	138,115	217,975	335,652	368,637	354,023	472,899	444,458	**466,123**
Other assets	18,278	20,301	20,450	33,045	38,131	37,577	30,889	47,210	47,304	**47,357**
Total assets	$ 154,624	154,560	158,566	251,020	373,783	406,214	384,913	520,109	491,762	**513,480**
Bank indebtedness	$ 63,995	54,094	62,483	138,140	222,862	242,781	210,940	207,382	214,055	**281,124**
Loans payable	—	—	—	—	5,696	11,227	21,376	149,437	109,039	**82,412**
Notes payable	16,808	13,201	11,370	15,862	18,079	18,939	17,434	15,992	18,605	**22,915**
Debentures	—	—	—	—	15,955	22,928	23,510	24,153	24,864	**25,717**
Other liabilities	12,489	14,199	9,031	16,885	16,006	13,971	17,894	19,185	18,589	**12,649**
Total liabilities	93,292	81,494	82,884	170,887	278,598	309,846	291,154	416,149	385,151	**424,817**
Shareholders' equity	61,332	73,066	75,682	76,449	89,818	92,515	89,850	99,967	100,971	**83,904**
Non-controlling interests in subsidiaries	—	—	—	3,684	5,367	3,853	3,909	3,992	5,640	**4,759**
Total equity	61,332	73,066	75,682	80,133	95,185	96,368	93,759	103,960	106,611	**88,663**
Total liabilities and equity	$ 154,624	154,560	158,566	251,020	373,783	406,214	384,913	520,109	491,762	**513,480**
Shares outstanding at Dec. 31	# 8,308	8,308	8,308	8,308	8,429	8,589	8,559	8,559	8,559	**8,559**
Share price - high	$ 10.75	12.05	9.95	9.55	10.45	10.42	10.15	9.20	9.50	**8.09**
- low	7.85	9.00	8.70	8.40	8.22	8.37	3.51	6.23	7.50	**4.00**
- close at Dec. 31	9.35	9.60	8.99	9.20	9.09	10.07	6.70	8.40	7.70	**4.61**

Management's Report to the Shareholders

The management of Accord Financial Corp. is responsible for the preparation, fair presentation and integrity of the audited consolidated financial statements, financial information and MD&A contained in its 2023 annual report. This responsibility includes the selection of the Company's accounting policies in addition to judgments and estimates in accordance with IFRS Accounting Standards ("IFRS"). The accounting principles which form the basis of the consolidated financial statements and the more significant policies applied are described in note 3 to the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of the CSA's National Instrument 51-102.

In order to meet its responsibility for the reliability and timeliness of financial information, management maintains systems of accounting and administrative controls that assure, on a reasonable basis, the reliability of financial information and the orderly and efficient conduct of the Company's business. A report on the design and effectiveness of the Company's disclosure controls and procedures and the design and operating effectiveness of its internal control over financial reporting is set out in the MD&A as required by CSA's National Instrument 52-109.

The Company's Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through its Audit Committee, which is composed of three independent directors. The Committee meets at least quarterly with management and periodically with the Company's auditors to satisfy itself that management's responsibilities are properly discharged, to review the Company's financial reports, including consolidated financial statements and MD&A, and to recommend approval of the consolidated financial statements and MD&A to the Board.

KPMG LLP, independent auditors appointed by the shareholders, expresses an opinion on the fair presentation of the consolidated financial statements. They have full and unrestricted access to the Audit Committee and management to discuss matters arising from their audit, which includes a review of the Company's accounting records and consideration of its internal controls.

Irene Eddy
Chief Financial Officer
March 22, 2024
Toronto, Canada

Independent Auditor's Report to the Shareholders

TO THE SHAREHOLDERS OF ACCORD FINANCIAL CORP.

OPINION

We have audited the consolidated financial statements of Accord Financial Corp. (the Entity), which comprise:

- *the consolidated statements of financial position as at December 31, 2023 and December 31, 2022*
- *the consolidated statements of earnings (loss) for the years then ended*
- *the consolidated statements of comprehensive income (loss) for the years then ended*
- *the consolidated statements of changes in equity for the years then ended*
- *the consolidated statements of cash flows for the years then ended*
- *and notes to the consolidated financial statements, including a summary of material accounting policy information*

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

ASSESSMENT OF ALLOWANCE FOR LOSSES

Description of the matter

We draw attention to Notes 2, 3(d), 5, and 23(a) of the financial statements. The Entity has recorded an allowance against its finance receivables and loans and its guarantee of managed receivables for an amount of $10,551 (finance receivables and loans $10,551, and managed receivables $nil).

The Entity 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, expected credit losses ("ECL") framework. The key inputs in the measurement of ECL allowances are the probability of default ("PD"), the loss given default ("LGD") and the exposure at default ("EAD") associated with each loan, sensitized to future market and macroeconomic conditions through the incorporation of forward-looking information ("FLI"). The Entity's ECL allowances are measured at amounts equal to either:

(i) an allowance for financial instruments which have not experienced a significant increase in credit risk ("SICR") since initial recognition, which represents an allowance for expected credit losses that result from default events that are possible within 12 months; or

(ii) an allowance for financial instruments which have experienced a SICR since initial recognition, which represents a lifetime ECL.

In addition, for those financial instruments that the Entity has classified as impaired, these are written down to its estimated net realizable value ("NRV"), or for managed receivables, expected payment under its guarantee.

Significant assumptions and sources of estimation uncertainty in determining the allowance for credit losses include:

- High degree of measurement uncertainty in the key inputs (PD, LGD, EAD) and judgments (SICR), and their resulting impact on the allowance; and
- Selecting relevant forward-looking information.

Significant assumptions and sources of estimation uncertainty in determining the valuation for impaired loans include:

- High degree of measurement uncertainty in key inputs in the valuation of NRV.

Why the matter is a key audit matter

We identified the assessment of allowance for losses as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the impact of the provision on net earnings and the related high degree of estimation uncertainty in determining the amounts recorded. Significant auditor judgment was required due to the high degree of measurement uncertainty in the key inputs (PD, LGD, EAD) and judgments (SICR) and their resulting impact on the allowance. Assessing the allowance also required significant auditor attention and complex auditor judgment to evaluate the results of our audit procedures. Further, specialized skills and knowledge, including experience in the industry, were required to apply audit procedures and evaluate the results of such procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design and tested the operating effectiveness, of certain internal controls over the Entity's process for calculating the allowance, as follows:

- the qualitative and quantitative factors used to identify whether there has been SICR
- management's review of the ECL which includes their review of forward-looking information and the application of expert credit judgment
- management's control to determine the NRV for impaired loans

We involved credit risk professionals with specialized skills and industry knowledge who assisted in assessing:

- the PDs and LGDs by comparing to industry data
- the appropriateness of FLI applied by comparing to external macroeconomic data

For a selection of impaired loans, we evaluated the appropriateness of the value ascribed to the underlying collateral used by management to determine the ultimate NRV.

OTHER INFORMATION

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis ("MD&A") filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the MD&A as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Paula M. Foster.

Toronto, Canada
March 22, 2024

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars, except share price and as otherwise indicated)

	Note	December 31, 2023	December 31, 2022
Assets			
Cash		$ 5,914	$ 11,630
Restricted cash	4	3,782	6,625
Finance receivables and loans, net	5	466,123	444,458
Income taxes receivable		1,196	597
Other assets	6	12,292	5,057
Assets held for sale	7	440	108
Deferred tax assets, net	17	18,622	6,265
Property and equipment	8	2,115	1,746
Intangible assets	10	2,996	3,201
Goodwill	9	—	12,075
		$ 513,480	$ 491,762
Liabilities			
Due to clients		$ 144	$ 1,827
Bank indebtedness	11	281,124	214,055
Loans payable	12	82,412	109,039
Accounts payable and other liabilities		8,057	11,226
Income taxes payable		234	2,616
Notes payable	13	22,915	18,605
Debentures	14	25,717	24,864
Lease liabilities	15	1,877	1,496
Deferred income		2,337	1,282
Deferred tax liabilities, net	17	—	141
		$ 424,817	$ 385,151
Equity			
Capital stock	16	9,448	9,448
Contributed surplus	16	1,774	1,705
Retained earnings		65,608	82,159
Accumulated other comprehensive income		7,074	7,659
Shareholders' equity		83,904	100,971
Non-controlling interests in subsidiaries		4,759	5,640
Total equity		88,663	106,611
		$ 513,480	$ 491,762

See accompanying notes to consolidated financial statements.

On behalf of the Board

David Beutel
Chairman of the Board

Simon Hitzig
President and Chief Executive Officer

Consolidated Statements of Earnings (Loss)

(Expressed in thousands of Canadian dollars, except per share amounts and as otherwise indicated)

Years ended December 31	Note	2023	2022
Revenue			
Interest		$ 68,740	$ 60,212
Other income		10,965	7,278
		79,705	67,490
Operating expenses			
Interest expense		35,299	24,087
General and administrative		34,545	29,599
Provision for credit losses	5	24,476	8,293
Impairment of goodwill	9	11,876	1,883
Impairment of assets held for sale		—	148
Depreciation		563	702
Business acquisition expenses: Amortization of intangible assets		137	132
		106,896	64,844
Earnings (loss) before income tax		(27,191)	2,646
Income tax expense (recovery)	17	(11,798)	1,001
Net earnings (loss)		(15,393)	1,645
Net earnings (loss) attributable to non-controlling interests in subsidiaries		(768)	218
Net earnings (loss) attributable to shareholders		$ (14,625)	$ 1,427
Basic and diluted earnings (loss) per common share	18	$ (1.71)	$ 0.17

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in thousands of Canadian dollars, except per share amounts and as otherwise indicated)

Years ended December 31	2023	2022
Net earnings (loss)	$ (14,625)	$ 1,427
Other comprehensive income:		
Items that are or may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(585)	1,528
Comprehensive income (loss)	$ (15,210)	$ 2,955

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars, except per share amounts and as otherwise indicated)

	Note	Capital stock		Contributed surplus	Retained earnings	Accumulated other comprehensive income	Non-controlling interests in subsidiaries	Total equity
		Number of common shares outstanding	Amount					
Balance at January 1, 2022		8,558,913	$ 9,448	$ 1,088	$ 83,300	$ 6,131	$ 3,992	$ 103,959
Comprehensive income		—	—	—	1,427	1,528	—	2,955
Dividends paid	16	—	—	—	(2,568)	—	—	(2,568)
Distribution to non-controlling interests		—	—	—	—	—	(149)	(149)
Stock-based compensation expense related to stock option grants	16	—	—	190	—	—	—	190
Purchase of additional 8% of Accord CapX LLC from non-controlling interests	20	—	—	(1,613)	—	—	1,075	(538)
Increase in 1% in non-controlling interest on additional capital raised in BondIt	20	—	—	2,040	—	—	130	2,170
Net earnings attributable to non-controlling interests in subsidiaries		—	—	—	—	—	218	218
Translation adjustments on non-controlling interests		—	—	—	—	—	374	374
Balance at December 31, 2022		**8,558,913**	**$ 9,448**	**$ 1,705**	**$ 82,159**	**$ 7,659**	**$ 5,640**	**$106,611**
Comprehensive income (loss)		**—**	**—**	**—**	**(14,625)**	**(585)**	**—**	**(15,210)**
Dividends paid	16	**—**	**—**	**—**	**(1,926)**	**—**	**—**	**(1,926)**
Stock-based compensation expense related to stock option grants	16	**—**	**—**	**69**	**—**	**—**	**—**	**69**
Net loss earnings attributable to non-controlling interests in subsidiaries		**—**	**—**	**—**	**—**	**—**	**(768)**	**(768)**
Translation adjustments on non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(113)**	**(113)**
Balance at December 31, 2023		**8,558,913**	**$ 9,448**	**$ 1,774**	**$ 65,608**	**$ 7,074**	**$ 4,759**	**$ 88,663**

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars, except per share amounts and as otherwise indicated)

	Note	2023	2022
Cash provided by (used in):			
Operating activities			
Net earnings (loss)		$ (15,393)	$ 1,645
Items not affecting cash:			
Provision for credit losses	5	24,476	8,293
Deferred income		—	(36)
Amortization of intangible assets	10	137	132
Depreciation of property and equipment	8	563	702
Loss on disposal of property and equipment		26	1
Impairment of assets held for sale		—	148
Accretion of debentures	14	602	711
Loss from modification of debentures	14	96	—
Impairment of goodwill	9	11,876	1,883
Gain on disposal of right to use assets		—	(8)
Stock-based compensation expense	16	165	190
Deferred tax recovery	17	(12,133)	(2,901)
Current income tax expense	17	335	3,902
		10,750	14,662
Changes in operating assets and liabilities			
Finance receivables and loans, gross	5	(51,566)	36,481
Due to clients		(1,685)	(1,706)
Other assets		(6,658)	(3,164)
Accounts payable and other liabilities		1,350	(12,072)
Disposal of assets held for sale	7	352	1,342
Income tax paid, net		(3,659)	(4,035)
		(51,116)	31,508
Investing activities			
Additions to property and equipment		(236)	(175)
Financing activities			
Bank indebtedness	11	66,470	6,683
Loans payable	12	(25,221)	(44,756)
Notes payable issued, net	13	4,234	2,365
Dividends paid	16	(1,926)	(2,568)
Distribution of non-controlling interest		—	(149)
Increase of 1% non-controlling interest on additional capital raised by Bondlt	20	—	2,170
Purchase of 8% of Accord CapX LLC from non-controlling interests	20	—	(538)
Lease liabilities principal paid	15	(365)	(479)
		43,192	(37,272)
Effect of exchange rate changes on cash		(399)	46
Decrease in cash and restricted cash		(8,559)	(5,893)
Cash and restricted cash at January 1		18,255	24,148
Cash and restricted cash at December 31		$ 9,696	$ 18,255
Supplemental cash flow information			
Net cash used in operating activities includes:			
Interest paid		$ 32,995	$ 22,884

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except per share amount and as otherwise indicated)

Years ended December 31, 2023 and 2022

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 and receivables financing, equipment and inventory financing, leasing, working capital financing, credit investigation, credit protection and receivables management, media financing, 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 consolidated financial statements are expressed in thousands of Canadian dollars, except per share amounts and as otherwise noted, the Company's functional and presentation currency, and are prepared in compliance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Certain comparative amounts have been restated to conform with the presentation in the current period.

The preparation of the 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 expected credit losses relating to finance receivables and loans and to the guarantee of managed receivables (note 5), the carrying value of assets held for sale (note 7), the determination of goodwill on acquisition and the value of intangible assets (notes 9 and 10), as well as the net realizable value ("NRV") of deferred tax assets and liabilities (note 17).

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

- Stock option grants (a component of contributed surplus); and
- Guarantee of managed receivables (a component of accounts payable and other liabilities).

These consolidated financial statements were approved for issue by the Company's Board of Directors ("Board") on March 22, 2024.

3. Material accounting policy information

(a) Basis of consolidation

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

(b) Revenue recognition

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

(c) Finance receivables and loans

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

(i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

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

(d) Allowances for expected credit losses

The Company maintains allowances for expected credit losses ("ECL") on its finance receivables and loans and its guarantee of managed receivables pursuant to the provisions of IFRS 9, Financial Instruments ("IFRS 9"), under which allowances for ECL are recognized on all financial assets that are classified either at amortized cost or fair value through

other comprehensive income ("FVOCI") and for all loan commitments and financial guarantees that are not measured at fair value through profit and loss ("FVTPL"). ECL allowances represent credit losses that reflect an unbiased and probability weighted amount which is determined by evaluating a range of possible outcomes and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Forward-looking information ("FLI") is explicitly incorporated into the estimation of ECL allowances, which involves significant judgment. The Company's allowances for ECL are measured at amounts equal to either: (i) 12-month ECL (also referred to as Stage 1 ECL) which comprises an allowance for all non-impaired financial instruments which have not experienced a significant increase in credit risk ("SICR") since initial recognition. Stage 1 ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within the twelve-month period after the reporting date; or (ii) lifetime ECL (also referred to as Stage 2 ECL) which comprises allowances for those financial instruments which have experienced a SICR since initial recognition. Significant judgment is required in the application of SICR. The Company has established quantitative and 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 to recognizing twelve months of ECL as the financial instrument has migrated back to Stage 1.

The calculation of ECL is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Company expects to receive. The key inputs in the measurement of ECL allowances are as follows: (i) the probability of default ("PD") which is an estimate of the likelihood of default over a given time horizon; (ii) the loss given default ("LGD") which is an estimate of the loss arising in the case where a default occurs at a given time; and (iii) the exposure at default ("EAD") which is an estimate of the exposure at a future default date. These key inputs associated with each loan are sensitized to future market and macro economic conditions through the incorporation of FLI. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument. Stage 3 financial instruments are those that the Company has classified as impaired. Lifetime ECL are recognized for all Stage 3 financial instruments. For Stage 3 finance receivables and loans, either an allowance for ECL is provided thereon or, where the Company intends to or has actively taken possession of its collateral with a view to realizing on same as a means of recovering some or all of the outstanding account balance, the financial instrument is written down to its estimated net recoverable value, or in respect of the Company's managed receivables, an amount is accrued for the expected payment to client(s) under its guarantee. The Company classifies a financial instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. The Company also refers to these accounts as "workout" accounts. Accounts are in "workout" as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated and could include significant financial difficulty of the borrower, default or delinquency in interest or principal payments, a high probability of the borrower entering a phase of bankruptcy or a financial reorganization, or a measurable decrease in the estimated future cash

flows from the loan or the underlying assets that back the loan. A financial instrument is no longer considered impaired when all past due amounts, including interest, have been recovered, and it is determined that the principal and interest are fully collectable in accordance with the original contractual terms or revised market terms of the financial instrument with all criteria for the impaired classification having been remedied.

Financial instruments are written off, either partially or in full, against the related allowance for expected credit losses when we judge that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at NRV. Any subsequent recoveries of amounts previously written off are credited to the respective allowance for expected credit losses.

(e) Property and equipment

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets using the following bases and annual rates:

Asset	Basis	Rate
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Automobiles	Declining balance	30%
Leasehold improvements	Straight line	Over remaining lease term
Right-of-use assets	Straight line	Over lease term

Upon retirement or sale of an asset, its cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded in income or expense. The Company reviews property and equipment on a regular basis to determine that its carrying value has not been impaired.

(f) Goodwill

Goodwill arises upon the acquisition of subsidiaries. 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.

(g) Intangible assets

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

(h) Income taxes

The Company follows the balance sheet liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized

based on temporary differences between the tax and accounting bases of assets and liabilities, as well as losses available to be carried forward to future years for income tax purposes.

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized through the statement of earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting dates, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, as well as the available losses carried forward to future years for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized in respect of taxes payable in the future based on taxable temporary differences.

Income taxes receivable and payable, and deferred tax assets and liabilities, are offset if there is a legally enforceable right of set off, they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis, or their tax assets and liabilities will be realized simultaneously.

(i) 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 and presented in the accumulated other comprehensive income component of equity.

(j) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing at each reporting date. Any non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates. Revenue and expenses are translated into Canadian dollars at the prevailing average monthly exchange rate. Translation gains and losses are credited or charged to earnings.

(k) Earning per common share

The Company presents basic and diluted earnings per share ("EPS") for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by dividing net earnings attributable to common shareholders by the diluted weighted average number of common shares outstanding in the year, which comprises the weighted average number of common shares outstanding plus the effects of all dilutive common share equivalents.

(l) Stock-based compensation

The Company accounts for stock options and deferred share units (“DSUs”) issued to directors and/or employees using fair value-based methods. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the stock options on the grant date. The fair value of the stock options is recorded in general and administrative expenses over the awards vesting period. DSUs vest at the award date and the fair value thereof is recorded as an expense. Subsequent adjustments are recorded in general and administrative expense, based on the difference between the fair value of the DSUs at the end of a reporting period and the fair value at the grant date.

The Company's long-term incentive plan (“LTIP”) (note 16) 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.

(m) Financial assets and liabilities

Financial assets and liabilities are recorded at amortized cost 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 consolidate 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.

(n) 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.

(o) Assets held for sale

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

(p) Changes in accounting policies

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The Company has reviewed the accounting policies and made updates to the information disclosed in Note 3 in certain instances in line with the amendments.

4. Restricted cash

Restricted cash represents cash held as security for non-recourse borrowings provided by a lender. A cash reserve account held by the lender is required to be maintained at an amount equal to 5% of the loan principal outstanding. Additionally, cash collections related to certain financial assets securing the non-recourse borrowing can only be used to repay that debt on certain specified dates.

5. Finance receivables and loans and managed receivables

(a) Finance receivables and loans

Finance receivables and loans at December 31 were as follows:

	Dec. 31, 2023	Dec. 31, 2022
Working capital loans	**$ 116,128**	$ 121,979
Receivable loans	**90,128**	86,788
Inventory & equipment loans	**113,287**	90,970
Media loans	**85,246**	87,770
Lease receivables	**71,885**	65,171
Finance receivables and loans	**476,674**	452,678
Less allowance for expected credit losses	**10,551**	8,189
Finance receivables and loans, net	**$ 466,123**	$ 444,489

The Company's finance receivables and loans are generally either: (i) collateralized by a charge on substantially all 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 is primarily comprised of receivables, inventory, and equipment, as well as other assets such as real estate and guarantees.

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

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

	Dec. 31, 2023	Dec. 31, 2022
Less than 1 year	**$ 241,114**	$ 217,844
1 to 2 years	**114,593**	117,623
2 to 3 years	**69,913**	65,879
3 to 4 years	**35,776**	33,279
4 to 5 years	**15,278**	18,053
	$ 476,674	$ 452,678

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

	Dec. 31, 2023	Dec. 31, 2022
Current	$ 427,631	$ 403,807
Past due but not impaired:		
Past due less than 90 days	17,541	23,302
Past due 90 to 180 days	6,253	1,755
Past due 180 days or more	13,687	4,845
Impaired loans	11,562	18,969
	$ 476,674	$ 452,678

Past due finance receivables and loans, including those past due over 90 days, do not necessarily represent a SICR, or an impairment, due to circumstances where payments are delayed for non-credit related reasons. These may include specific industry related behaviors or practices as we often see across certain of the Company's lines of business. Of the past due and impaired finance receivables at December 31, 2023, $26,975 (2022 – $26,140) related to BondIt Media Capital ("BondIt"), AFIU's 60% controlled media finance subsidiary, while $19,427 (2022 – $12,948) related to AFCC, (of which $19,150 benefits from a guarantee from Export Development Canada ("EDC") of up to 80% of the loan balance), and $16 (2022 – $7,599) to AEF.

As the Company's finance receivables and loans are generally secured by collateral, past due or impaired accounts do not necessarily lead to a significant ECL allowance or write-off, as the NRV of the collateral is evaluated and may result in a low or no LGD.

At December 31, 2023, the estimated NRV of the collateral securing the impaired loans totalled $9,839 (2022 – $17,817). During 2023, lease receivables totalling $684 (2022 – $1,430) were transferred to assets held for sale upon default of the leases and repossession of the collateral.

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

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

The Staging segmentation influences estimated allowances as described below:

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

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

	Dec. 31, 2023	Dec. 31, 2022
Stage 1	$ 382,533	$ 370,463
Stage 2 (SICR)	82,579	63,246
Stage 3 (Impaired)	11,562	18,969
	$ 476,674	$ 452,678

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

Year ended at December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Allowance for expected losses at January 1	$ 2,903	$ 2,803	$ 2,483	$ 8,189
Transfer between stages	(326)	227	99	—
Provision related to change in allowance for expected losses	1,032	2,263	21,219	24,514
Write-offs	(296)	(324)	(21,690)	(22,310)
Recoveries	—	61	176	237
Foreign exchange adjustment	(20)	65	(124)	(79)
Allowance for expected losses at December 31	$ 3,293	$ 5,095	$ 2,163	$10,551

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

Year ended at December 31, 2022	Stage 1	Stage 2	Stage 3	Total
Allowance for expected losses at January 1	$ 3,319	$ 1,872	$ 59	$ 5,250
Transfer between stages	(327)	163	164	—
Provision (recovery) related to change in allowance for expected losses	(191)	2,223	6,302	8,334
Write-offs	—	(1,503)	(4,484)	(5,987)
Recoveries	—	9	414	423
Foreign exchange adjustment	101	38	30	169
Allowance for expected losses at December 31	$ 2,902	$ 2,802	$ 2,485	$ 8,189

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

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

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

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

The Company employs macroeconomic indicator data derived from multiple macroeconomic scenarios in order to mitigate volatility in the estimation of its allowance for expected losses, and to satisfy the IFRS 9 requirement that future economic conditions are to be based on an unbiased, probability-weighted assessment of possible future outcomes. The macroeconomic indicator data utilized by the Company for the purpose of sensitizing PD and LGD to forward-looking economic conditions includes, but are not limited to: monetary policy, fiscal policy,

energy prices, public health emergencies, including an epidemic or pandemic, business investment, housing, employment, and supply chain amongst others.

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

The Company uses experienced credit judgment to review and analyze the various forecast scenarios and assign probability weightings. If management were to assign a 100% probability to the most pessimistic downside scenario forecast considered, the allowance for expected losses would have been $2.3 million higher than the reported estimate of the allowance for expected losses as at December 31, 2023. Alternatively, the assignment of a 100% probability to the most optimistic upside scenario forecast considered would have resulted in the allowance for expected losses being $3.6 million lower than that reported.

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

At December 31, 2023, the Company held cash collateral of $2,675 (2022 – $3,533) to help reduce the risk of loss on certain of the Company's finance receivables and loans.

(b) Managed receivables

The Company has entered into agreements with clients, whereby it has assumed the credit risk with respect to the clients' receivables.

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

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

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

	Dec. 31, 2023	Dec. 31, 2022
Stage 1	**$ —**	$ 5,309
Stage 2 (SICR)	**—**	—
Stage 3 (Impaired)	**—**	—
	$ —	$ 5,309

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

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

Year ended at December 31, 2023		**Stage 1**		**Stage 2**		**Stage 3**		**Total**
Allowance for expected losses at January 1	**$**	**31**	**$**	**—**	**$**	**—**	**$**	**31**
Recovery related to change in allowance for expected losses		**(38)**		**—**		**—**		**(38)**
Recoveries		**7**		**—**		**—**		**7**
Allowance for expected losses at December 31	**$**	**—**	**$**	**—**	**$**	**—**	**$**	**—**

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

Year ended at December 31, 2022		Stage 1		Stage 2		Stage 3		Total
Allowance for expected losses at January 1	$	31	$	—	$	—	$	31
Recovery related to change in allowance for expected losses		(41)		—		—		(41)
Recoveries		41		—		—		41
Allowance for expected losses at December 31	$	31	$	—	$	—	$	31

6. Other assets

Other Assets at December 31, 2023 were $12,292 (2022 – $5,057) and were primarily comprised of prepaid expenses of $4,587 (2022 – $2,723) and amounts due from EDC of $7,372 (2022 – $1,315) pursuant to guarantees provided on AccordExpress loans.

7. Assets held for sale

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

8. Property and equipment

		Dec. 31, 2023		Dec. 31, 2022
Cost	**$**	**4,279**	$	4,619
Accumulated depreciation		**(2,164)**		(2,873)
Net book value	**$**	**2,115**	$	1,746

Property and equipment include the Company's right-of-use assets, comprising five office leases at December 31, 2023. The Company's right-of-use assets and movements therein during 2023 and 2022 were as follows:

		Dec. 31, 2023		Dec. 31, 2022
Right-of-use assets at January 1	**$**	**1,342**	$	875
Additions		**754**		1,052
Modifications / completions		**—**		(82)
Depreciation		**(409)**		(522)
Foreign exchange adjustment		**(25)**		19
Net book value at December 31	**$**	**1,662**	$	1,342

9. Goodwill

		Dec. 31, 2023		Dec. 31, 2022
Goodwill at January 1	**$**	**12,075**	$	13,141
Impairment		**(11,876)**		(1,883)
Foreign exchange translation		**(199)**		817
Goodwill at December 31	**$**	**—**	$	12,075

At December 31, 2023, goodwill was zero. At December 31, 2022, $12,075 of goodwill was related to the U.S. CGU. Goodwill is tested for impairment annually. During 2023 the result of the annual impairment review of the U.S. CGU resulted in a write off of the entire goodwill balance. During 2022, the Company conducted an annual impairment review on each CGU and determined that there was an impairment to the carrying value of goodwill of

the Canadian CGU, while there was no impairment to the carrying value of goodwill of the U.S. CGU. 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 to determine if there has been an impairment of goodwill. 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 assumption used in the impairment testing was the multiple applied to the expected earnings of each CGU in determining the fair value thereof. In 2023 a multiple of 8.5 (2022 – 9.8) was used.

10. Intangible assets

Intangible assets and movements therein during 2023 and 2022 were as follows:

2023		**Customer and referral relationships**		**Broker relationships**		**Brand name**		**Total**
Cost								
January 1, 2023	$	2,064	$	1,344	$	1,846	$	5,254
Foreign exchange adjustment		(46)		—		(40)		(86)
December 31, 2023	$	2,018	$	1,344	$	1,806	$	5,168
Accumulated amortization								
January 1, 2023	$	(709)	$	(1,344)	$	—	$	(2,053)
Amortization expense		(137)		—		—		(137)
Foreign exchange adjustment		18		—		—		18
December 31, 2023	$	(828)	$	(1,344)	$	—	$	(2,172)
Carrying value								
January 1, 2023	$	1,355	$	—	$	1,846	$	3,201
December 31, 2023	$	1,190	$	—	$	1,806	$	2,996

2022		Customer and referral relationships		Broker relationships		Brand name		Total
Cost								
January 1, 2022	$	1,925	$	1,344	$	1,721	$	4,990
Foreign exchange adjustment		139		—		125		264
December 31, 2022	$	2,064	$	1,344	$	1,846	$	5,254
Accumulated amortization								
January 1, 2022	$	(533)	$	(1,344)	$	—	$	(1,877)
Amortization expense		(132)		—		—		(132)
Foreign exchange adjustment		(44)		—		—		(44)
December 31, 2022	$	(709)	$	(1,344)	$	—	$	(2,053)
Carrying value								
January 1, 2022	$	1,392	$	—	$	1,721	$	3,113
December 31, 2022	$	1,355	$	—	$	1,846	$	3,201

11. Bank indebtedness

The Company has a revolving credit facility with a maximum commitment of $375.0 million and a contractual maturity date of July 26, 2025, provided by a syndicate of six banks. Floating rate indices for drawn amounts under the revolving credit facility are primarily based on bankers' acceptances, the secured overnight financing rate ("SOFR") or Prime rate. The credit facility is secured by the Company's finance receivables and loans, except for finance receivables and loans that secure the BondIt loan and the ASBF loan. The Company amended its revolving credit facility as of July 28, 2023 to reduce the maximum commitment to $375.0 million from $436.5 million, increase the accordion from $50.0 million to $75.0 million, increase the flexibility of certain terms relating to eligible collateral and update certain covenants. There is no impact to the financial statements as a result of this amendment. The Company was not in compliance with one covenant at December 31, 2023 (December 31, 2022 – one covenant). All lenders waived the breach of the covenant in 2023 and 2022 subsequent to the related year end. (See Subsequent Event note for more information.)

12. Loans payable

	Dec. 31, 2023	Dec. 31, 2022
BondIt loan [(a)]	$ 59,947	$ 64,671
ASBF loan [(b)]	22,465	44,368
	$ 82,412	$ 109,039

(a) BondIt loan

BondIt has a revolving line of credit with a non-bank lender, which bears interest varying with a base rate, generally the higher of the U.S. Prime Rate or the effective Federal Funds Rate. This revolving line, which is secured by all of BondIt's assets, has a total commitment of US$50.0 million ($59.9 million) and a maturity date of December 2, 2024. At December 31, 2023, the amount outstanding under this line of credit totalled $66.3 million inclusive of accrued interest and fees (2022 – $64.7 million). BondIt was not in compliance with multiple loan covenants under this facility as at December 31, 2023, but has received a waiver from the lender subsequent to December 31, 2023. The Company was in compliance with all loan covenants under this facility as at December 31, 2022.

(b) ASBF loan

ASBF, a subsidiary of AFCC, entered into a non-recourse loan with a life insurance company. This loan is secured by the majority of ASBF's assets and bears a fixed rate of interest. The amount outstanding under this loan facility at December 31, 2023 was $22.5 million (December 31, 2022 – $44.4 million). ASBF experienced a trigger event as of December 31, 2023 and 2022 as a result of the breached covenant under the Company's revolving credit line. The lender provided a waiver subsequent to December 31, 2023 and December 31, 2022 for the related trigger event.

13. Related parties

(a) Notes payable

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

Notes payable at December 31 were as follows:

	Dec. 31, 2023	Dec. 31, 2022
Demand and term notes due within one year:		
Related parties	$ 5,826	$ 5,911
Third parties	2,421	2,194
	8,247	8,105
Term notes due after one year:		
Related parties	14,668	10,500
	$ 22,915	$ 18,605

Notes due on, or within a week of, demand bear interest at rates that vary with the bank prime rate, while the term notes bear interest at rates between 7.25% and 11%.

Interest expense on the notes payable was as follows:

		2023		2022
Related parties	$	**1,253**	$	1,076
Third parties		**270**		242
	$	**1,523**	$	1,318

(b) Compensation of directors and key management personnel

The remuneration of directors and key management personnel[1] during 2023 and 2022 was as follows:

		2023		2022
Salaries and directors' fees	$	**3,754**	$	4,793
Stock-based compensation [2]		**165**		190
Termination payments		**—**		524
	$	**3,919**	$	5,507

(1) Key management personnel comprise the President and CEO of the Company, the Presidents of its five operating businesses, and the Company's Senior Vice Presidents, including its Chief Financial Officer.

(2) Stock-based compensation comprises the expense related to the Company's stock option grants and DSUs. Please see note 16.

(c) 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 December 31, 2023, participations in BondIt client loans totalled US$22.6 million (December 31, 2022 – US$28.1 million), of which US$ 8.6 million (December 31, 2022 – US$11.8 million) was provided by related parties. These participations are not included in the Company's Consolidated Statements of Financial Position.

14. Debentures

Convertible debentures with a face value of $25.7 million (25,650 convertible debentures) carrying a 7.0% coupon rate were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading ("Listed Debentures") on the Toronto Stock Exchange ("TSX"), while 5,000 ("Unlisted Debentures") are unlisted. Interest on all the convertible debentures is payable semi-annually on June 30 and December 31 each year.

Prior to the amendments to the Listed Debentures described below, the maturity date of all debentures was December 31, 2023 and they were convertible at the option of the holder into common shares of the Company at a conversion price of $13.50 per common share. The original maturity date and conversion feature now apply only to the Unlisted Debentures.

The Company used the residual method to calculate the allocation between the debt and equity components of the debentures. Gross proceeds were allocated to the debt component of the debentures by discounting the future principal and interest payments at the rate of interest prevailing on the issue date for similar non-convertible debentures. The equity component 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.

At a meeting held on August 10, 2023, the Company announced that holders of $20.7 million of 7.0% Listed Debentures, due on December 31, 2023, passed an extraordinary resolution approving certain amendments to the debentures. The amendments include (i) an extension of the maturity date to January 31, 2026, (ii) an increased interest rate of 10% effective January 2, 2024, (iii) removal of the conversion feature and (iv) removal of the Company's right to repay the debentures with common shares. The Company performed an assessment in accordance with the requirements of IFRS 9 and determined that removing the conversion feature represents a substantial modification, triggering a derecognition of the original Listed Debentures and recognition of a new liability.

On December 31, 2023, the unit holders of $5.0 million of 7.0% Unlisted Debentures, due on December 31, 2023 agreed to amend those debentures. The amendments include (i) an extension of the maturity

date to July 15, 2024, (ii) an increased interest rate of 10.0% effective January 1, 2024, (iii) removal of the conversion feature and (iv) removal of the Company's right to repay the debentures with common shares. The Company performed an assessment in accordance with the requirements of IFRS 9 and determined that removing the conversion feature represents a substantial modification, triggering a derecognition of the original Series B Debentures and recognition of a new liability.

As a result of the amendments, the amortized cost of the original Debentures of $25,553 was extinguished and the amended Listed Debentures and Unlisted Debentures with a nominal value of $25,650 were recognized on the balance sheet at the date of modification. A loss of $604, arising as a result of the substantial modification, is comprised of $508 of transaction costs, including $330 of consent fees paid to Listed unit holders that voted in favor of the amendment, $25 of extension fees paid to Unlisted unit holders and $95 as the difference between the carrying value of the extinguished original Listed Debentures and Unlisted Debentures and the fair value of the amended Listed Debentures and Unlisted Debentures.

The allocation of gross proceeds from the original issuance of the convertible debentures and the impact on the related debt and equity components resulting from the modification of the debentures at December 31, 2023 is presented below:

	Liability component of debentures	Equity component of debentures	Total
Debentures issued	$ 24,153	$ 1,474	$ 25,627
Transaction costs	(1,739)	(107)	(1,846)
Net proceeds	22,414	1,367	23,781
Deferred taxes	—	(362)	(362)
Extinguishment of listed debentures on August 10, 2023	(17,976)	—	(17,976)
Extinguishment of listed debentures on December 31, 2023	(4,438)	—	(4,438)
Recognition of new debentures	25,650	—	25,650
Balance (net of accretion balance)	25,650	1,005	26,655
Accretion in carrying value of debenture liability through August 9, 2023	3,103	—	3,103
Extinguishment of listed debentures on August 10, 2023	(2,575)	—	(2,575)
Accretion in carrying value of debenture liability from August 10 to September 30, 2023	401	—	401
Extinguishment of listed debentures on December 13, 2023	(565)	—	(565)
Accretion in carrying value of debenture liability from October 1 to December 31, 2023	(297)	—	(297)
Accretion in carrying value of debenture liability	67	—	67
	$ 25,717	$ 1,005	$ 26,722

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

	Liability component of debentures	Equity component of debentures	Total
Debentures issued	$ 24,153	$ 1,474	$ 25,627
Transaction costs	(1,739)	(107)	(1,846)
Net proceeds	22,414	1,367	23,781
Deferred taxes	—	(362)	(362)
Accretion in carrying value of debenture liability	2,450	—	2,450
	$ 24,864	$ 1,005	$ 25,869

15. Lease liabilities

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

	Dec. 31, 2023	Dec. 31, 2022
Less than one year	$ 481	$ 443
One to five years	1,413	1,245
Thereafter	348	—
Total undiscounted lease obligations	2,242	1,688
Less: future interest	(365)	(192)
	$ 1,877	$ 1,496

During 2023, principal and interest payments for the five office leases recognized as right-of-use assets under IFRS 16 totalled $365 (2022 – $479) and $97 (2022 – $62) respectively, for total lease payments of $405 (2022 – $541). No variable lease payments are included in the measurement of the Company's lease liabilities.

16. Capital stock 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 December 31, 2023 and 2022, there were no first preferred shares outstanding.

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

Dividends in respect of the Company's common shares are declared in Canadian dollars. During 2023, dividends totalling $1,926 (2022 – $2,568), or $0.23 (2022 – $0.30) per common share, were declared and paid.

(b) Stock option plans

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

Outstanding options granted under the 2021 SOP were as follows:

Grant date	Number of options granted	Exercise price	Expiry date	Dec. 31, 2023	Dec. 31, 2022
Aug. 4, 2021	80,100	$8.83	Aug. 3, 2028	45,000	54,000
Oct. 12, 2021	12,000	$8.83	Aug. 3, 2028	12,000	12,000
Sep. 19, 2022	72,000	$8.34	Sep. 18, 2029	72,000	72,000
Sep. 25, 2023	127,500	$5.69	Sep. 24, 2030	127,500	—
	291,600			256,500	138,000

On September 25, 2023 the Company granted 127,500 stock options at an exercise price of $5.69 to its President and senior employees. On September 19, 2022, the Company granted 72,000 stock options to its President and senior employees.

Of the outstanding options 147,500 were vested at December 31, 2023. The decrease in outstanding options for the grant date of August 4, 2021 is due to the cancellation of options granted to certain employees that left the Company.

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

	Sep. 25, 2023	Sep. 19, 2022	Oct. 12, 2021	Aug. 4, 2021
Risk free interest rate	4.02%	3.17%	1.35%	0.92%
Expected dividend yield	5.29%	3.29%	2.48%	2.24%
Expected share price volatility	27.48%	27.51%	29.53%	29.36%
Expected life of option (years)	7.0	7.0	6.8	7.0
Fair value per option	$0.98	$1.87	$1.67	$1.97

(c) Deferred share unit ("DSU") plan

The Company introduced a DSU plan effective January 1, 2022 for its board of directors. During 2023, the Company granted 13,002 DSUs (2022 – 7,944). DSUs are issued quarterly at fair market value at the date of grant and vest immediately.

(d) Stock-based compensation

During 2023, the Company recorded stock-based compensation expense of $165 (2022 – $190), of which $129 (2022 – $129) related to stock option grants under the 2021 SOP and $36 (2022 – $60) related to DSUs. DSU grants of $60 previously expensed and classified as equity has been reclassified as a liability.

17. Income taxes

The Company's income tax expense comprises:

	2023	2022
Current income tax expense	**$ 335**	$ 3,902
Deferred tax recovery	**(12,133)**	(2,901)
Income tax expense (recovery)	**$ (11,798)**	$ 1,001

During 2023 and 2022, the Company's statutory income tax rate was 26.5%. The Company's income tax expense varies from the amount that would be computed using the Canadian statutory income tax rate due to the following:

	Dec. 31, 2023	**%**
Income tax expense (recovery) computed at statutory rates	**$ (7,206)**	**26.5%**
Increase (decrease) resulting from:		
Effective tax rate on income of subsidiaries	**(4,550)**	**16.7%**
Non-controlling interests in subsidiaries	**(42)**	**0.2%**
	$ (11,798)	**43.4%**

	Dec. 31, 2022	%
Income tax expense (recovery) computed at statutory rates	$ 701	26.5%
Increase (decrease) resulting from:		
Effective tax rate on income of subsidiaries	312	11.8%
Non-controlling interests in subsidiaries	(12)	(0.5%)
	$ 1,001	37.8%

The tax effects that give rise to the net deferred tax assets at December 31 were as follows:

	Dec. 31, 2023	Dec. 31, 2022
Deferred tax assets:		
Unused tax losses	**$ 18,072**	$ 12,684
Allowances for expected credit losses	**2,461**	1,783
Debenture accretion	**108**	—
Property and equipment	**—**	2,806
Leasing timing difference	**355**	11,778
Other	**919**	303
	$ 21,915	$ 29,354
Deferred tax liabilities:		
Basis differential on pass through subsidiaries	**$ (1,655)**	$ (22,872)
Leasing timing difference	**(1,592)**	(217)
Property and equipment	**(46)**	—
	$ (3,293)	$ (23,089)
	$ 18,622	$ 6,265

The tax effects that give rise to the net deferred tax liabilities at December 31 were as follows:

	Dec. 31, 2023	Dec. 31, 2022
Deferred tax liabilities:		
Debentures accretion	**$ —**	$ 187
Accrued Expenses	**—**	(46)
	$ —	$ 141

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Management's estimate of future taxable profits and the recognition of deferred tax assets are reviewed at each reporting date and deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

At December 31, 2023 and 2022, deferred tax liabilities for temporary differences associated with investments in domestic and foreign subsidiaries were not recognized as the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

18. Earnings per common share

The following is a reconciliation of common shares used in the calculation for the 12 months ended December 31:

	2023	2022
Basic weighted average number of common shares outstanding	**8,558,913**	8,558,913
Effect of dilutive stock options	**—**	949
Dilutive weighted average number of common shares outstanding	**8,558,913**	8,559,862

All outstanding options were excluded from the calculation of diluted shares outstanding in the twelve months ended December 31, 2023 because they were considered to be anti-dilutive for earnings per common share purposes, while for the twelve months ended December 31, 2022 certain outstanding options were excluded for the same reason. Details of outstanding options are set out in note 16(b).

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

19. Contingent liabilities

At December 31, 2023, the Company was contingently liable with respect to letters of guarantee issued on behalf of a client in the amount of $742 (2022 – $759). There were no letters of credit issued on behalf of clients for which the Company was contingently liable at those dates. These amounts were considered in determining the allowance for expected losses on finance receivables and loans.

20. Non-controlling interests in subsidiaries

Non-controlling interests in subsidiaries at December 31, 2023 comprised an effective 40% (December 31, 2022 – 40%) interest in BondIt's common member units. On January 1, 2022, the Company acquired the remaining 8% of AEF's common units from non-controlling interests at a cost of $537 (US$425) which brought its ownership in AEF up to 100%. On September 16, 2022, Bondlt raised additional capital and as a result the Company reduced its ownership of the common member units by 1% which amounted to a reduction in non-controlling interests of $130 (US$98).

21. Fair values of financial assets and liabilities

Financial assets or liabilities, other than lease receivables and loans to clients in our equipment and small business finance operations, lease liabilities, term loan payable, 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 favorable or unfavorable variance compared to carrying value. For the Company's financial instruments carried at cost or amortized cost, the carrying value is not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes.

22. Segmented information

The Company operates and manages its businesses in one dominant industry segment – providing asset-based financial services to industrial and commercial enterprises, principally in Canada and the United States. An operating segment is a component in the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Company's other subsidiaries, whose operating results are regularly reviewed by the Company's Chief Operating Decision Makers ("COMD") 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 COMD 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 during the periods under review.

Year ended December 31, 2023	**Canada**	**United States**	**Intercompany**	**Total**
Identifiable assets	**$ 290,694**	**$ 381,494**	**$ (158,708)**	**$ 513,480**
Revenue				
Interest income	**$ 45,031**	**$ 24,224**	**$ (515)**	**$ 68,740**
Other income	**4,391**	**6,574**	**—**	**10,965**
	49,422	**30,798**	**(515)**	**79,705**
Expenses				
Interest	**25,259**	**10,555**	**(515)**	**35,299**
General and administrative	**22,115**	**12,430**	**—**	**34,545**
Provision for credit losses	**20,806**	**3,670**	**—**	**24,476**
Impairment of goodwill	**—**	**11,876**	**—**	**11,876**
Impairment of assets held for sale	**—**	**—**	**—**	**—**
Depreciation	**290**	**273**	**—**	**563**
Business acquisition expenses	**—**	**137**	**—**	**137**
	68,470	**38,941**	**(515)**	**106,896**
Earnings (loss) before income tax expense	**(19,048)**	**(8,143)**	**—**	**(27,191)**
Income tax expense (recovery)	**(5,216)**	**(6,582)**	**—**	**(11,798)**
Net earnings (loss)	**(13,832)**	**(1,561)**	**—**	**(15,393)**
Net earnings (loss) attributable to non-controlling interest in subsidiaries	**—**	**(768)**	**—**	**(768)**
Net earnings (loss) attributable to shareholders	**$ (13,832)**	**$ (793)**	**$ —**	**$ (14,625)**

Year ended December 31, 2022	Canada	United States	Intercompany	Total
Identifiable assets	$ 258,840	$ 234,980	$ (2,059)	$ 491,761
Revenue				
Interest income	$ 36,817	$ 24,101	$ (706)	$ 60,212
Other income	2,220	5,058	—	7,278
	$ 39,037	$ 29,159	$ (706)	$ 67,490
Expenses				
Interest	16,759	8,034	(706)	24,087
General and administrative	17,420	12,179	—	29,599
Provision for credit losses	6,481	1,812	—	8,293
Impairment of goodwill	1,883	—	—	1,883
Impairment of assets held for sale	148	—	—	148
Depreciation	283	419	—	702
Business acquisition expenses	132	—	—	132
	43,106	22,444	(706)	64,844
(Loss) earnings before income tax expense	(4,069)	6,715	—	2,646
Income tax expense (recovery)	(995)	1,996	—	1,001
(Loss) net earnings	$ (3,074)	$ 4,719	$ —	$ 1,645
Net earnings attributable to non-controlling interest in subsidiaries	—	$ 218	—	218
(Loss) net earnings attributable to shareholders	$ (3,074)	$ 4,501	$ —	$ 1,427

23. Financial risk management

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises with respect to loans to and other financial transactions with clients, the guarantee of managed receivables, and any other financial transaction with a counterparty that the Company deals with. The gross amount of loans ($476.7 million) and managed receivables ($nil) represents the Company's maximum credit exposure as of the reporting dates and is the most significant measurable risk that it faces. The nature of the Company's asset-based lending business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. The Company often owns the factored receivables that it finances. The Company does not take title to the managed receivables as it does not lend against them, but it assumes the credit risk from the client in respect of these receivables.

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

At December 31, 2023, the Company had impaired loans of $11,562 (2022 – $18,969), while at that date, it held collateral for these loans with an estimated NRV of $9,839 (2022 – $17,817). These impaired loans were mainly secured by receivables, inventory, and/or equipment. There were no Stage 3 (impaired) managed receivables at December 31, 2023 and 2022.

Credit approval for transactions supported by management in the Company's six operating businesses is delegated to a staff of senior credit officers within each business. Transactions in excess of $1.0 million (US$1.0 million U.S. Group companies), are approved by the Company's SVP, Underwriting and Portfolio Risk in consultation with the Corporate Credit Committee. Transactions in excess of $2.5 million (US$2.5 million in the case of U.S. group companies) are approved by the Credit Committee of the Board of Directors which comprises three members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit risk is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. For its factoring products, the Company's primary focus continues to be on the creditworthiness and collectability of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from the invoice date. Receivables become ineligible for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients,

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

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

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

In the Company’s credit protection and receivables management business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. All customer credit in excess of $2.5 million is approved by the Credit Committee of the Board on a case-by-case basis. At December 31, 2023, the Company had no customer’s accounts receivable in excess of $5.0 million.

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

(b) Liquidity risk

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

	0 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash and restricted cash	$ 9,301	$ 380	$ 15	$ —	$ —	$ —	$ 9,696
Finance receivables and loans	241,114	114,593	69,913	35,776	14,227	1,051	476,674
All other assets	20,636	—	—	—	—	—	20,636
Total	$ 271,051	$ 114,973	$ 69,928	$ 35,776	$ 14,227	$ 1,051	$ 507,006
Financial liabilities							
Due to clients	$ 144	$ —	$ —	$ —	$ —	$ —	$ 144
Bank indebtedness [(1)]	281,124	—	—	—	—	—	281,124
Loans payable [(2)]	74,522	7,595	295	—	—	—	82,412
Notes payable	12,223	10,692	—	—	—	—	22,915
Debentures	5,000	—	20,717	—	—	—	25,717
All other liabilities	10,168	—	—	—	—	—	10,168
Total	$ 383,181	$ 18,287	$ 21,012	$ —	$ —	$ —	$ 422,480

(1) Bank indebtedness maturing within 12 months is debt which has been classified as current as the Company was in breach of one of its debt covenants at December 31, 2023. In addition to receiving a waiver from its lenders for December 31, 2023, certain terms and covenants of the credit facility agreement were amended after December 31, 2023. The amendment also contains milestones that the Company must achieve related to initiating discovery for certain strategic initiatives to improve liquidity.

(2) Loans payable of $14,575 maturing within 12 months, of $7,595 maturing in 1 to 2 years, and of $295 maturing in 2 to 3 years are estimated amounts, as the loans do not have a contractual maturity date.

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

	0 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash and restricted cash	$ 16,879	$ 931	$ 445	$ —	$ —	$ —	$ 18,255
Finance receivables and loans	217,844	117,623	65,879	33,279	18,053	—	452,678
All other assets	7,122	1,007	497	—	—	—	8,626
Total	$ 241,845	$ 119,561	$ 66,821	$ 33,279	$ 18,053	$ —	$ 479,559
Financial liabilities							
Due to clients	$ 1,827	$ —	$ —	$ —	$ —	$ —	$ 1,827
Bank indebtedness [(1)]	214,055	—	—	—	—	—	214,055
Loans payable [(2)]	17,579	82,536	8,924	—	—	—	109,039
Notes payable	8,105	—	10,500	—	—	—	18,605
Convertible debentures	24,864	—	—	—	—	—	24,864
All other liabilities	14,606	50	33	—	—	141	14,830
Total	$ 281,036	$ 82,586	$ 19,457	$ —	$ —	$ 141	$ 383,220

(1) Included in Bank indebtedness is debt which has been classified as current as the Company was in breach of one of its debt covenants at December 31, 2022. The Company has obtained a waiver from the lender subsequent to December 31, 2022.

(2) Loans payable of $16,824 maturing within 12 months of $18,620 maturing in 1 to 2 years, and of $8,924 maturing in 2 to 3 years are estimated amounts, as the loans do not have a contractual maturity date.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and support business growth. The Company's approach to managing liquidity risk is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when they come due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, loans payable, notes payable, convertible debentures, due to clients, accounts payable and other liabilities.

(c) Market risk

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

(d) Currency risk

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally finance receivables and loans, cash, bank indebtedness, due to clients and notes payable. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At December 31, 2023, the Company's unhedged foreign currency positions in its Canadian operations totalled $2,703 (2022 – $12).

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

(e) Interest rate risk

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

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

	Floating rate	Fixed rate	Non-rate sensitive	**Total**
Assets				
Cash and restricted cash	$ 7,794	$ —	$ 1,902	**$ 9,696**
Finance receivables and loans, net	163,533	313,141	(10,551)	**466,123**
All other assets	—	—	37,661	**37,661**
	$ 171,327	$ 313,141	$ 29,012	**$ 513,480**
Liabilities				
Due to clients	$ 8	$ —	$ 136	**$ 144**
Bank indebtedness	281,124	—	—	**281,124**
Loans payable	59,947	22,465	—	**82,412**
Notes payable	4,565	18,350	—	**22,915**
Debentures	—	25,717	—	**25,717**
All other liabilities	—	—	12,505	**12,505**
Equity	—	—	88,663	**88,663**
	$ 345,644	$ 66,532	$ 101,304	**$ 513,480**
Interest rate sensitivity gap	$ (174,317)	$ 246,609	$ (72,292)	**$ —**

The Company's floating rate debt, net of unrestricted cash, exceed the Company's floating rate assets by $96.4 million. Incorporated into that calculation is the assumption that fixed rate assets maturing in less than twelve months, if not redeployed in new loans, would be used to pay down bank indebtedness. Based on the Company's interest rate positions at December 31, a 100 basis point rise in interest rates would decrease pre-tax earnings by approximately $862 over a twelve month period. A 100 basis point decrease in interest rates would add a similar amount to pre-tax earnings. The analysis is a static measurement of interest rates at a specific point in time, and there is the potential for these gaps to change significantly over a short time period.

24. 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. To manage its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of a normal course issuer bid, issue new shares or debt, or reduce liquid to repay other debt. The Company monitors the ratio of its debt to total equity and its total equity to total assets. At December 31, 2023, these ratios were 4.65x (2022 – 3.44x) and 0.17 (2022 – 0.22), respectively. The Company's debt and leverage will usually rise with an increase in finance receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. At December 31, 2023, the Company is required to maintain a senior debt to TNW ratio of less than 4.0 to 1.0 on its syndicated bank facility. BondIt, which has entered into a loan facility with a non-bank lender, is required to maintain a TNW of at least US$5,000. There were no changes in the Company's approach to capital management from previous periods.

25. Subsequent events

(i) On March 15, 2024, the Company finalized an amendment to its primary credit facility which matures in July 2025.

The amendment reduces the facility limit from $375 million to $300 million with a further reduction to $260 million by January 2025. In addition to new covenants, the amendment increases the borrowing rate by 100 basis points and includes milestones related to the initiation of discovery for certain strategic initiatives.

(ii) Subsequent to December 31, 2023, BondIt's revolving line of credit has been extended with a new maturity date of April 30, 2025 and a total commitment of US$50,000 ($66,275).

Corporate Information

Board of Directors

David Beutel, Toronto, Ontario [1,3,4]

Burt Feinberg, New York, New York [3]

Simon Hitzig, Toronto, Ontario

Jean Holley, Alpharetta, Georgia [2]

Gary Prager, Wake Forest, North Carolina [2,3]

David Spivak, Vancouver, British Columbia [1]

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

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

Officers

Simon Hitzig, President & CEO

Irene Eddy, Senior Vice President, Chief Financial Officer

Cathy Osborne, Senior Vice President, Human Resources

Subsidiaries

Accord Financial Ltd.
Simon Hitzig, President

Accord Financial Inc.
Jason Rosenfeld, President

Accord Financial, Inc.
Jim Hogan, President

Accord Financial Canada Corp.
James Jang, President

Accord Equipment Finance
Jim Hogan, President

BondIt Media Capital
Matthew Helderman, President

Auditors

KPMG LLP

Legal Counsel

Stikeman Elliott

Stock Exchange Listings

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

Bankers

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

Registrar & Transfer Agent

Computershare Trust Company of Canada

Annual Meeting

The Annual Meeting of Shareholders will be held at **The Ridout Room** 3rd Floor of **Lennox Hall** located in **First Canadian Place** Suite 350 at 77 Adelaide St. West, Toronto, Ontario on **Tuesday, May 14, 2024** at 4:15 pm.

602-40 Eglinton Avenue East
Toronto, Ontario
Canada M4P 3A2
Tel (800) 967-0015
Fax (416) 961-9443

www.accordfinancial.com

www.accordfinancial.com | **Canada** (800) 967-0015 | **United States** (800) 231-2757