Cliffside Capital Ltd.
Management Discussion and Analysis

For the three and six months ended June 30, 2017

Management Discussion and Analysis **Page**

CLIFFSIDE CAPITAL LTD.
MANAGEMENT DISCUSSION AND ANALYIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

The following management discussion and analysis ("MD&A") of the results of the operations and financial position of Cliffside Capital Ltd. (the "Company") prepared as of June 30, 2017 and approved by the Board of Directors on August 16, 2017, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2017, prepared in accordance with International Financial Reporting Standards (IFRS). All monetary amounts are expressed in Canadian dollars.

Forward- Looking Disclaimer

Certain statements contained in this MD&A constitute forward-looking statements which reflect the Company's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements except as required by applicable law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

Additional Information

Additional information about the Company can be accessed at www.sedar.com.

Nature of the Business and Incorporation

The Company was incorporated under the *Business Corporations Act (Ontario)* on October 22, 2013 and was initially classified as a Capital Pool Company under the terms of the TSX Venture Exchange (the "Exchange"). The Company completed its Qualifying Transaction ("QT") on July 1, 2016 and on July 6, 2016 received the Final Exchange Bulletin issued by the Exchange and thereafter resumed trading on the Exchange under the symbol CEP.

The Company's focus is to invest in receivables and other similar financial assets acquired from third parties who have specialized expertise and proven track records in originating and servicing these types of assets. As of June 30, 2017, the Company holds investments in two limited partnerships, CAL LP and ACC LP III (the "Partnerships"). The Partnerships were formed to engage in the business of investing in retail sales contracts secured by collateral charges on motor vehicles that are originated in Canada. Each of the Partnerships have their own securitization facility that allow the Partnerships to leverage their capital and enable them to invest in retail sales contracts. CAL LP was formed on February 22, 2016 and ACC LP III was formed on October 14, 2016. The Company owns 85% and 60% of the partnership units in CAL LP and ACC LP III respectively, and AutoCapital Canada Management Inc. ("ACCMI"), an entity associated with the Company, owns the remaining interest.

The Company's registered office is located at Suite 200, 11 Church Street, Toronto, M5E 1W1.

Operational Highlights

During the quarter, CAL LP executed and commenced using its securitization facility with a Canadian Life Insurance Company which provided the partnership with access to a revolving financing line of credit of $6 million and $50 million in funding, renewable annually, for the ongoing securitization of fully serviced retail sales contracts owned by the limited partnership. Both CAL LP and ACC LP III completed tranches with their respective funders in the quarter for securitization proceeds of $30 million. Total consolidated assets of the Company grew by 134% or $28 million quarter over quarter in 2017.

Financial Highlights

Change in Accounting Treatment of Investments in Limited Partnerships

Prior to December 31, 2016, the Company accounted for its investment in the Partnerships under the equity method in accordance with IAS 28 as it was deemed that ACCMI controlled the Partnerships by virtue of its ability to direct the relevant activities of the Partnerships.

Subsequent to December 31, 2016, the Partnerships each entered into arrangements with institutional lenders to allow each Partnership to leverage its capital and grow its asset base. In addition, each Partnership entered into an agreement for the ongoing purchase of retail sales contracts originated by ACCMI, pursuant to which, the Company sets the investment criteria under which contracts are presented for purchase to each Partnership and for further monetization.

As a result of these changes, management performed an assessment of control for accounting purposes and concluded that the relevant activities had materially changed such that the Company has acquired control of the Partnerships for accounting purposes pursuant to IFRS 10, due to its power over the relevant activities of the Partnerships and its ability to influence its returns. Accordingly, the Company began consolidating its interest in ACC LP III from January 31, 2017 and in CAL LP from March 31, 2017 in accordance with IFRS 10.

As a result of the consolidation, the Exchange released the Company from a previous undertaking, and as such, separate financial statements for CAL LP will no longer be filed on SEDAR.

Select Statement of Financial Position

As at	**Jun 30, 2017**	**Dec 31, 2016**
	$	**$**
Cash	5,689,733	716,009
Finance receivables - net	42,455,465	-
Investments in limited partnerships	-	4,333,906
Other assets	652,876	158,871
Total assets	**48,798,074**	**5,208,786**
Securitization debt	38,932,753	-
Deferred purchase price payable	2,816,705	-
Other liabilities	1,572,993	529,703
Total liabilities	43,322,451	529,703
Equity attributable to shareholders	4,323,873	4,679,083
Non-controlling interest	1,151,750	-
Total liabilities and equity	**48,798,074**	**5,208,786**

The Company had cash of $320,307 at June 30, 2017 and the Partnerships held $5,369,426 for a consolidated total of $5,689,733. The Company's cash is primarily made up of proceeds raised from private placements and share issuances in prior years, less its capital investments in the Partnerships and operating costs. The Partnerships' cash is primarily generated from the receipt of contractually scheduled and additional payments from customers related to the retail sales contracts.

Finance receivables consist of retail sales contracts which had initial terms of 24 to 84 months at time of origination and fixed rates of interest ranging from 9% to 25%. All finance receivables are secured by collateral charges on motor vehicles. The balance of $42,455,465 at June 30, 2017 represents the outstanding principal balance and accrued fees owing from customers net of estimated allowance for credit losses of $153,658, as well as capitalized transaction costs of $4,258,570 associated with the purchase of the finance receivables which are amortized using the effective interest method.

The investments in limited partnerships represented the Company's interest in the Partnerships during the period the investments were equity accounted for. As of June 30, 2017, the Company does not have any investments that are equity accounted for.

Other assets at June 30, 2017 primarily include prepaids of $363,270 and deferred income taxes of $125,902 for the portion of cumulative tax losses the Company expects to be able to recover against future taxable income. Other assets at December 31, 2016 primarily consisted of deferred income taxes of $143,346.

As at June 30, 2017, securitization debt of $38,932,753 was outstanding which is net of a cash holdback held in trust by the securitizers of $4,314,195.

The Partnerships purchase retail sales contracts from ACCMI on a fully serviced basis. A component of the purchase price paid for the purchased receivables is deferred and payable to ACCMI over the life of the related finance receivables. As at June 30, 2017, the deferred purchase price payable to ACCMI amounts to $2,816,705, of which $353,773 was considered due and outstanding.

Other liabilities as at June 30, 2017 consist of $68,145 owed to LC Asset Management Corporation for management fees, $537,030 owed in relation to the purchase of the finance receivables, $821,388 of unearned revenue related to potentially refundable administrative fees included in the finance receivables, and $146,430 of trade payables and accruals. Other liabilities as at December 31, 2016 include $425,000 advanced by CAL LP to the Company as well as $104,703 of trade payables and accruals.

Equity attributable to shareholders of $4,323,873 at June 30, 2017 includes contributed surplus of $688,333 related to prior year stock based compensation expenses, cumulative deficit of $1,100,251, and share capital of $4,735,791 which represents $5,000,000 raised through private placements and share issuances in prior years net of $264,209 of after-tax share issuance costs. The amounts were the same at December 31, 2016 with the exception of the cumulative deficit which was $745,041 bringing total equity attributable to shareholders to $4,679,083 at that time.

Non-controlling interest at June 30, 2017 of $1,151,750 includes of $1,129,432 of capital invested in the Partnerships by non-controlling parties representing the 15% and 40% of CAL LP and ACC LP III respectively that the Company does not have an interest in. In addition, non-controlling interest also includes $41,068 of current and prior year earnings attributable to non-controlling parties, which is reduced by $18,750 of distributions to non-controlling parties.

Select Operating Results

	For the three months ended		**For the six months ended**	
	Jun 30, 2017	**Jun 30, 2016**	**Jun 30, 2017**	**Jun 30, 2016**
	$	**$**	**$**	**$**
Income while investments equity accounted	-	-	51,617	-
Income while investments consolidated	507,579	569	695,172	1,151
Total income including other income	507,579	569	746,789	1,151
Interest expense	262,502	-	362,745	-
Provision for credit losses	127,465	-	192,229	-
Management fees	16,865	-	34,745	-
Other expenses	68,214	7,839	91,243	10,663
Total expenses	475,046	7,839	680,962	10,663
Net income (loss) before taxes and other items	32,533	(7,270)	65,827	(9,512)
Loss on acquisition of control	-	-	376,197	-
Provision for income taxes	58,966	-	17,444	-
Non-controlling interest	21,550	-	27,396	-
Net income (loss) attributable to shareholders	**(47,983)**	**(7,270)**	**(355,210)**	**(9,512)**
Basic and diluted earnings (loss) per share	(0.00)	(0.00)	(0.01)	(0.00)

For the six months ended June 30, 2017, the Company recorded $51,617 of income from the Partnerships during the period the Partnerships were equity accounted for. The Company recorded income while investments were consolidated of $507,579 and $695,172 for the three months and six months ended June 30, 2017 respectively, which primarily represent net interest income and other fee income earned by the Partnerships. Net interest income represents interest income earned on finance receivables net of amortization of capitalized transaction costs.

Interest expense is incurred by the Partnerships on the securitization debt balance. The amount recorded by the Company for the three and six months ended June 30, 2017 was $262,502 and $362,745 respectively. Each tranche of securitization debt has a fixed rate of interest. The weighted average interest rate on the securitization debt is 4.63%.

The provision for credit losses is determined first by evaluating the portfolio for specific indications of impairment and applying loss estimates, net of recoveries, based on the severity of the delinquency with receivables greater than 90 days past due being fully provided for. The credit losses incurred and provided for as of June 30, 2017 are as expected given the size and duration of the portfolio.

The Company incurred management fees of $16,865 and $34,745 for the three and six months ended June 30, 2017, respectively, pursuant to a management agreement with LC Asset Management Corporation (see Related Party Transactions section).

Other expenses for the three months ended June 30, 2017 are comprised of professional fees of $47,708 and general and administrative expenses of $20,506. Other expenses for the six months ended June 30, 2017 are comprised of professional fees of $63,967 and general and administrative expenses of $27,276. Other expenses for the three and six months ended June 30, 2016 mainly comprised of general and administrative expenses.

As a result of acquiring control, the transaction costs of $376,197 that were originally capitalized as a result of acquiring the partnership units in CAL LP, were written off as a loss on acquisition of control on March 31, 2017 and are included in the Company's net loss for the six months ended June 30, 2017. Excluding this loss on acquisition of control, the Company continues to generate positive earnings before taxes.

During the three months ended June 30, 2017, the Company recognized an income tax expense of $58,966 representing estimated future income taxes payable on the reversal of temporary timing differences. This amount less the income tax recovery booked in the prior quarter brings the total income tax expense for the six months ended June 30, 2017 to $17,444.

For the three months ended June 30, 2017, the Company reported non-controlling interest of $21,550 which represents the portion of current period earnings that are not attributable to the Company, bringing the total non-controlling interest to $27,396 for the six months ended June 30, 2017.

Select Statement of Cash Flow Summary

	For the three months ended		**For the six months ended**	
	Jun 30, 2017	**Jun 30, 2016**	**Jun 30, 2017**	**Jun 30, 2016**
	$	**$**	**$**	**$**
Cash (used in) provided by operating activities	(23,900,366)	(82,591)	(26,466,388)	(119,730)
Cash (used in) provided by investing activities	(18,750)	-	874,521	-
Cash (used in) provided by financing activities	25,807,443	-	30,565,591	-
Increase (decrease) in cash during period	**1,888,327**	**(82,591)**	**4,973,724**	**(119,730)**

Total cash used in operating activities for the three and six months ended June 30, 2017 consist primarily of acquisition of finance receivables of $25,803,453 and $30,758,999 respectively, offset by positive cash flows generated from changes in working capital amounts. Total cash generated in investing activities for the six months ended June 30, 2017 represents the cash acquired on acquisition of control of the Partnerships. Cash used in investing activities for the three months ended June 30, 2017 represents distributions made by the Partnerships to non-controlling interests. The cash generated from financing activities for the three and six months ended June 30, 2017 primarily represents the financing of newly acquired finance receivables through securitization debt, net of holdbacks and repayments. The Company did not declare or pay any dividends during the period.

Non-IFRS Measures

The Company prepares its unaudited interim financial statements in accordance with IFRS. In this MD&A, in addition to financial results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and which do not have standard meanings prescribed by IFRS. These measures include the following:

- **Gross yield** - Total interest income and other income, excluding amortization of capitalized costs for the period, divided by average finance receivables for the same period, annualized.

- **Delinquency rate** - Outstanding principal balance of delinquent finance receivables (those greater than 30 days past due) at the end of a period, divided by the total outstanding principal balance of all receivables at the same date.

The non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The Company's primary assets are the finance receivables which are secured by collateral charges on motor vehicles. As such, key performance indicators for the assets in the Partnerships for the prior two quarters are reported below. Note, there is no meaningful comparative information for the same period in the prior year.

	Three months ended Jun 30, 2017		**Three months ended Mar 31, 2017**	
	CAL LP	**ACC LP III**	**CAL LP**	**ACC LP III**
Gross yield	16.85%	16.27%	17.73%	16.45%
Delinquency rate	0.58%	1.00%	3.21%	1.41%

The Partnerships' portfolios of retail sales contracts have strong gross yields which contribute favourably to net earnings. The delinquency rate for CAL LP at June 30, 2017 is lower than at March 31, 2017 primarily due to significant growth in the portfolio of receivables following CAL LP's execution of its securitization facility in the three months ended June 30, 2017. Overall portfolio performance and delinquency rates for the Partnerships are as expected based on the size of the portfolios.

Liquidity and Capital Resources

Through a combination of two private placements and the Company's initial public offering ("IPO"), the Company raised gross proceeds of $5 million from the issuance of common shares. These proceeds were largely invested in the Partnerships during 2016 leaving the Company with approximately $320,307 of cash on hand at June 30, 2017 which management believes is sufficient to meet the Company's working capital requirements. The Partnerships are holding $5,369,426 of cash as of June 30, 2017, of which, $740,169 was paid to the funders on July 1, 2017 as principal and interest on the securitization debt, and the remainder is to be used to continue to acquire and securitize finance receivables and meet working capital requirements. The Partnerships have access to funding facilities totalling $100 million of which they have utilized $45 million at June 30, 2017.

Share Capital

The Company is authorized to issue an unlimited number of common shares. Through a combination of two private placements and the IPO, which included the issuance of 10,000,000 shares at $0.05 per share and 45,000,000 shares at $0.10 per share, the Company raised gross proceeds of $5 million and incurred issuance expenses of $264,209 net of taxes. The Company's common shares began trading on the Exchange on April 17, 2014. Trading in the Company's shares was halted on February 23, 2016 and resumed on completion of the QT on July 7, 2016 under the symbol CEP.

Issued and outstanding common shares are as follows:

	Shares	**Amount ($)**
Opening balance, January 1, 2016	55,000,000	4,662,165
Issuance of common shares	-	-
Ending balance, June 30, 2016	**55,000,000**	**4,662,165**
Opening balance, January 1, 2017	55,000,000	4,735,791

Issuance of common shares	-	-
Ending balance, June 30, 2017	**55,000,000**	**4,735,791**

The Company's share price at June 30, 2017 was $0.145 resulting in a dilutive impact on the weighted average shares outstanding as the issued and unexercised options were in the money. The diluted weighted average shares outstanding for the three and six months ended June 30, 2017 were 55,722,340 shares and 55,890,816 shares respectively, which includes the dilutive effect of stock options issued and outstanding at June 30, 2017.

Escrowed Shares

34,250,000 of the 45,000,000 common shares of the Company issued in 2014 prior to the IPO were deposited with the escrow agent under an escrow agreement (the "Escrowed Shares"). The Escrowed Shares were not to be released until the Exchange issued the Final Exchange Bulletin.

The Final Exchange Bulletin was issued on July 6, 2016 at which time 10-per-cent or 3,425,000, of the original number of all Escrowed Shares were released. On January 6, 2017, an additional 5,137,499 Escrowed Shares were released, and an additional 15-per-cent of the original number of Escrowed Shares will be released on the dates 12 months, 18 months, 24 months, 30 months and 36 months following the issuance of the Final Exchange Bulletin so that all Escrowed Shares will have been released three years after the date of the Final Exchange Bulletin.

Issued and outstanding Escrowed Shares are as follows:

	Shares
Ending balance, December 31, 2016	30,825,000
Released	(5,137,499)
Ending balance, June 30, 2017	**25,687,501**

Subsequent to June 30, 2017, 5,137,500 shares were released from escrow.

Incentive Stock Options

On completion of the IPO in 2014, the Company granted 5,500,000 incentive stock options to its directors and officers to purchase an aggregate of up to 10-per-cent of the issued and outstanding common shares at a price of $0.10 per common share, exercisable for a period of ten years from the date granted. In addition, as part of the compensation to Raymond James Ltd, the agent, the Company issued 1,000,000 options exercisable for 24 months from the date of issue at the exercise price of $0.10. All of the stock options were fully vested upon issuance and the fair value thereof was recorded immediately in earnings at that time as compensation expense.

In 2015, 550,000 incentive stock options were granted to the Chief Financial Officer at a price of $0.10 per common share, exercisable for a period of ten years from the date granted. The options were fully vested upon issuance and the fair value thereof was recorded immediately in earnings at that time as compensation expense.

Further, in 2016, the Company granted 1,000,000 incentive stock options to the Chief Executive Officer with an exercise price of $0.105, exercisable for a period of ten years from the date granted. 25-per-cent of these options vested upon grant and vest in further 25-per-cent increments on November 28th in each of 2017, 2018 and 2019. The fair value of the portion vested as of December 31, 2016 was recorded in earnings during that period as stock-based compensation expense.

Issued and outstanding stock options at June 30, 2017 were 4,850,000, of which, 4,100,000 were exercisable. Subsequent to June 30, 2017, 550,000 options were exercised.

Business Outlook

ACC LP III's funding facility with a Canadian Schedule 1 Bank provides a financing line of credit of $10 million and $50 million in funding for the securitization of retail sales contracts. CAL LP's funding facility with a Canadian Life Insurance Company provides a financing line of credit of $6 million and $50 million in funding for the securitization of retail sales contracts. These facilities provide the Partnerships with leverage to enable the Company to grow its return on capital.

ACC LP III has utilized $25 million of its securitization facility as of the date this MD&A was filed and CAL LP has utilized $20 million. Below are financial highlights of the Partnerships as at and for the period ended June 30, 2017.

Select Statement of Financial Position	As at Jun 30, 2017 CAL LP	ACC LP III
	$	$
Cash	3,308,998	2,060,428
Finance receivables - net	20,001,267	22,454,198
Total assets	23,684,444	24,659,792
Securitization debt	17,883,742	21,049,011
Partnership equity	3,549,986	1,567,397

Select Operating Results	For the 3 months ended Jun 30, 2017 CAL LP	ACC LP III	For the 6 months ended Jun 30, 2017 CAL LP	ACC LP III
	$	$	$	$
Net interest income	112,269	356,964	179,367	547,000
Total income	122,361	385,148	197,966	585,895
Interest expense	36,113	217,767	36,113	316,160
Provision for credit losses	10,768	62,708	18,219	121,999
Total expenses	88,020	344,151	109,416	521,050
Net income	34,341	40,997	88,550	64,845

Cliffside is targeting growth in assets under management and growth in returns, while maintaining an acceptable level of credit risk to ultimately deliver attractive returns to its shareholders.

Summary of Quarterly Results

	For the period ended 2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
Total income	507,579	239,210	34,249	23,762	569	582	582	882
Total expenses	475,046	587,959	79,441	41,644	7,839	2,824	3,213	15,768
Income (loss) before taxes	32,533	(348,749)	(45,192)	(17,882)	(7,270)	(2,242)	(2,631)	(14,886)
Recovery of (provision for) income taxes	(58,966)	41,522	31,583	38,137	-	-	-	-
Net income (loss) after taxes	(26,433)	(307,227)	(13,609)	20,255	(7,270)	(2,242)	(2,631)	(14,886)
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	0.00	(0.00)	(0.00)	(0.00)	(0.00)

The quarterly highlights presented above were prepared in accordance with IFRS and are presented in Canadian dollars.

Until Q2 2016, the Company had no significant operations and income consisted primarily of interest earned on deposits, and expenses consisted primarily of general and administrative expenses. Operations began in Q3 2016 upon completion of the QT with the Company's investment in CAL LP, and grew in Q4 with the Company's investment in ACC LP III. During Q1 2017, the Company began consolidating its interest in the Partnerships resulting in an increase in total income as well as increased operating costs, particularly due to recording a loss on acquisition of control of $376,197. Excluding this loss on acquisition of control, Q1 2017 was the Company's first period of generating positive earnings before taxes. Q2 2017 was the first quarter the Company utilized securitization facilities under both Partnerships resulting in increased income and growth in earnings before taxes.

Related Party Transactions

The Company has related party relationships with the below entities.

- LC Asset Management Corporation - The Company entered into a management agreement with LC Asset Management Corporation (the "Manager") dated July 1, 2016 to provide investment advice and manage the operations of the Company. The Company pays the Manager a fee of 1.25-per-cent annually of the Company's gross unconsolidated assets and a potential performance bonus subject to the financial performance of the Company. The Manager is related to the Company as result of significant common ownership. Additionally, the Chief Executive Officer of the Company holds the same position for the Manager.

- ACCMI and ACC LP II – ACCMI is the other limited partner in each of the Partnerships. The Partnerships each have an agreement with ACCMI and ACC LP II for the ongoing purchase of retail sales contracts originated by ACCMI which meet certain investment criteria established by the Company. Pursuant to these agreements, ACCMI is responsible for providing ongoing portfolio and securitization facility administration services to the Partnerships. Accordingly, a portion of the purchase price is payable upfront, and a portion is deferred and payable over the life of the underlying retail sales contracts. ACCMI sells the contracts to the Partnerships through ACC LP II. ACCMI and ACC LP II are related to the Company as a result of significant common ownership. Additionally, the Chief Executive Officer of the Company holds the position of Chief Corporate Development Officer for ACCMI.
- CAL LP and ACC LP III – The Partnerships are considered related to the Company given that the Company exercises control over the Partnerships for accounting purposes and are thus consolidated with the Company's financial results.

During the period, the following related party transactions occurred:

a) Management fees payable to the Manager of $16,865 and $34,745 were incurred during the three and six months ended June 30, 2017 respectively. Together with accrued management fees from the prior year, the total amount payable and outstanding to the Manager is $68,175.
b) In 2016, CAL LP advanced $425,000 to the Company. The amount was non-interest bearing with no fixed terms of repayment and was repaid in April 2017.
c) The Partnerships acquired retail sales contracts from ACC LP II that were originated by ACCMI during the period. Refer to note 8 for amounts and further details. Additionally, included within accounts payable and accrued liabilities are $537,030 of amounts due by the Partnerships to ACC LP II related to the acquisition of the contracts.

Changes in Accounting Policies Including Initial Adoption

There are pending changes to IFRS which are not yet effective for the period ended June 30, 2017 which have not been applied in the preparation of the interim financial statements. The Company is currently considering the impact that these standard changes will have on the financial statements. The standards issued or amended but not yet effective at June 30, 2017 include the following:

IFRS 9 'Financial Instruments'

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The entity's own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets – "fair value through other comprehensive income" will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. Management is currently developing an implementation plan for the standard and is evaluating the financial impact expected on the financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Management does not believe this standard will have a material impact on the financial statements.

IFRS 7 'Financial Instruments: Disclosures'

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. Management is currently evaluating the impact of adopting this standard on the financial statements.

Risks and Uncertainties

In the normal course of business, the Company is exposed to certain risks and uncertainties and manages them, as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary sources of liquidity for the Company are from cash raised from equity financing and future distributions from the Partnerships, which would be used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which may be used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity. The primary source of liquidity for the Partnerships is cash flows from the collection of finance receivables. As at June 30, 2017, the undiscounted cash flows arising from the finance receivables, excluding transaction costs, are as follows:

	Within 1 year	**In 1 to 3 years**	**In 4 to 5 years**	**Greater than 5 years**	**Total**
Total receivables	11,290,099	21,835,713	10,282,773	15,160,023	58,568,608

These cash flows are considered to be sufficient to cover the Partnerships financial obligations for the same period as follows:

	Within 1 year	**In 1 to 3 years**	**In 4 to 5 years**	**Greater than 5 years**	**Total**
Securitization debt	7,913,305	14,991,428	7,127,447	8,900,572	38,932,753
Deferred purchase price payable	1,565,075	1,021,191	224,792	5,647	2,816,705
Accounts payable and accrued liabilities	751,605	-	-	-	751,605
	10,229,985	16,012,619	7,352,239	8,906,219	42,501,063

The amounts reported for securitization debt are based on contractual maturities. However the debt may be due earlier if the corresponding finance receivables run-off sooner. Accordingly, the maturities in the tables above are not a forecast of future cash flows.

Credit Risk

Credit risk arises from the possibility that obligors may be unable to fulfil their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. Credit risk has a significant impact on finance receivables. The underlying obligors to the finance receivables typically would not be approved for financing at prime rates. These customers may have had poor or inadequate credit history, or may be purchasing a vehicle that does not meet prime auto lending guidelines.

The performance of the finance receivables depends on a number of factors, including general economic conditions, unemployment levels, risk of fraud, and the circumstances of individual obligors. The maximum exposure to the finance receivables is represented by the carrying amount thereof. Although credit risk has a significant impact on retail receivables, it is mitigated by the Partnerships having a first priority perfected security interest in the related financed vehicles. In the case of obligor defaults, the value of the repossessed collateral provides a source of protection. Every reasonable effort is made to follow-up on delinquent accounts and to keep accounts current and repossession is considered only as a last resort. A repossessed vehicle is sold and proceeds are applied to the amount owing on the account. As such, the Partnerships are also exposed to fluctuations in used vehicle prices.

The finance receivables have no significant concentration of credit risk due to the fact that they are made up of a pool of receivables, with no individual receivable having a significant balance in relation to the outstanding portfolio balance. The receivables are geographically dispersed throughout Canada, the underlying collateral consists of varying vehicle makes, models and types, the underlying obligors of the receivables have varying credit ratings, and the receivables have varying interest rates and terms.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The finance receivables are subject to fixed interest rates and are carried at amortized cost, such that there is no re-measurement of carrying amount as market interest rates fluctuate. Securitization debt is subject to fixed rates of interest for each tranche securitized. The revolving lines of credit have floating rates of interest however significant exposure is not expected due to the short term nature of the revolving debt.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have significant transactions denominated in foreign currency and therefore is not currently exposed to significant foreign currency risk.

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

Counterparty Risk

The Company and Partnerships are exposed to counterparty risk through their relationship with ACCMI and their funders. ACCMI is responsible for presenting retail sales contracts to the Partnerships that meet the Company's investment criteria. There is a risk that ACCMI may not be able to present contracts that are acceptable to the Company and the Partnerships would have to find a new source of originations. Additionally, the Partnerships are exposed to the risk that the funders may cease securitizing retail sales contracts in which case the Partnerships would have to find other sources of financing.

Fair Values

The Company's financial instruments include cash, finance receivables, other assets, securitization debt, deferred purchase price payable, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values as the balances are either recorded at amortized cost using the effective interest method, or have a short-term nature.

Trading and Share Statistics

Below are details of the Company's share price for the six months ended June 30, 2017 and for the twelve months ended December 31, 2016.

For the period ended	Jun 30, 2017	Dec 31, 2016
Average monthly trading volume*	106,114	80,363
Share price		
High	0.20	0.15
Low	0.07	0.06
Close	0.145	0.10
Outstanding shares	55,000,000	55,000,000

* Trading in the Company's shares was halted on Feb 23, 2016 and resumed on completion of the QT with effect on July 7, 2016 under the symbol CEP. Statistics for the period ended December 31, 2016 represent the period from January 1 to February 22, 2016 as well as July 7 to December 31, 2016.

Cliffside Capital Ltd.
Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six months ended June 30, 2017

Notice to reader pursuant to National Instrument 51-102

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Cliffside Capital Ltd. have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

Condensed Interim Consolidated Financial Statements **Page**

(in Canadian dollars)

	(consolidated)	(equity accounted)
As at	**Jun 30, 2017**	**Dec 31, 2016**
	$	**$**
	(unaudited)	(audited)
Assets		
Cash	5,689,733	716,009
Finance receivables - net (note 5)	42,455,465	-
Deferred income taxes (note 7)	125,902	143,346
Investments in limited partnerships (note 4)	-	4,333,906
Other assets	526,974	15,525
Total assets	**48,798,074**	**5,208,786**
Liabilities		
Accounts payable and accrued liabilities	751,605	104,703
Advance from CAL LP (note 15)	-	425,000
Deferred purchase price payable (note 8)	2,816,705	-
Unearned revenue	821,388	-
Securitization debt (note 9)	38,932,753	-
Total liabilities	43,322,451	529,703
Equity (note 10)		
Share capital	4,735,791	4,735,791
Contributed surplus	688,333	688,333
Cumulative deficit	(1,100,251)	(745,041)
Equity attributable to shareholders	4,323,873	4,679,083
Non-controlling interest (notes 4, 11)	1,151,750	-
Total equity	5,475,623	4,679,083
Total liabilities and equity	**49,798,074**	**5,208,786**

Approved on behalf of the Board

"Michael Stein" (signed)	*"Fern Glowinsky" (signed)*
Michael Stein	Fern Glowinsky

The accompanying notes are an integral part of these financial statements.

Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

(in Canadian dollars)

(unaudited)	For the three months ended Jun 30, 2017	For the three months ended Jun 30, 2016	For the six months ended Jun 30, 2017	For the six months ended Jun 30, 2016
	$	$	$	$
Income while investments equity accounted (note 2)				
Income from limited partnerships (note 4)	-	-	51,617	-
Income while investments consolidated (note 2)				
Net interest income (note 6)	469,233	-	646,035	-
Other income	38,346	569	49,137	1,151
Total income	507,579	569	746,789	1,151
Financial expenses				
Interest expense (note 9)	262,502	-	362,745	-
Net financial revenue before credit losses	245,077	569	384,044	1,151
Provision for credit losses (note 5)	127,465	-	192,229	-
Net financial income	117,612	569	191,815	1,151
Operating expenses				
Management fees (note 15)	16,865	-	34,745	-
General and administrative	68,214	7,839	91,243	10,663
Total expenses	85,079	7,839	125,988	10,663
Net income (loss) before write-off and income taxes	**32,533**	**(7,270)**	**65,827**	**(9,512)**
Loss on acquisition of control (note 2)	-	-	376,197	-
Net income (loss) before income taxes	**32,533**	**(7,270)**	**(310,370)**	**(9,512)**
Provision for income taxes (note 7)	58,966	-	17,444	-
Net income (loss) and comprehensive income (loss)	**(26,433)**	**(7,270)**	**(327,814)**	**(9,512)**
Net income (loss) attributable to shareholders	(47,983)	(7,270)	(355,210)	(9,512)
Net income attributable to non-controlling interest (note 11)	21,550	-	27,396	-
Net income (loss) and comprehensive income (loss)	**(26,433)**	**(7,270)**	**(327,814)**	**(9,512)**
Earnings (loss) per share attributable to shareholders				
Basic and diluted (note 12)	(0.00)	(0.00)	(0.01)	(0.00)

The accompanying notes are an integral part of these financial statements.

(in Canadian dollars)

(unaudited)	**Share Capital**	**Contributed Surplus**	**Deficit**	**Non-Controlling Interest**	**Total**
	$	**$**	**$**	**$**	**$**
Balance, December 31, 2015	4,662,165	665,000	(742,175)	-	4,584,990
Stock based compensation	-	-	-	-	-
Net loss and comprehensive loss for the period	-	-	(9,512)	-	(9,512)
Balance, June 30, 2016	**4,662,165**	**665,000**	**(751,687)**	**-**	**4,575,478**
Balance, December 31, 2016	4,735,791	688,333	(745,041)	-	4,679,083
Net loss and comprehensive loss for the period	-	-	(355,210)	27,396	(327,814)
Non-controlling interest (note 4)	-	-	-	1,124,354	1,124,354
Balance, June 30, 2017	**4,735,791**	**688,333**	**(1,100,251)**	**1,151,750**	**5,475,623**

The accompanying notes are an integral part of these financial statements.

(in Canadian dollars)

(unaudited)	For the three months ended Jun 30, 2017	Jun 30, 2016	For the six months ended Jun 30, 2017	Jun 30, 2016
	$	$	$	$
Operating activities				
Net income (loss) and comprehensive income (loss)	(47,983)	(7,270)	(355,210)	(9,512)
Adjustments for non-cash items:				
Loss on acquisition of control	-	-	376,197	-
Provision for (recovery of) income taxes	58,966	-	17,444	-
Change in working capital	1,870,554	(75,321)	4,278,401	(110,218)
Income from limited partnerships	-	-	(51,617)	-
Non-controlling interest	21,550	-	27,396	-
Acquisition of finance receivables - net	(25,803,453)	-	(30,758,999)	-
Cash (used in) provided by operating activities	**(23,900,366)**	**(82,591)**	**(26,466,388)**	**(119,730)**
Investing activities				
Cash acquired on change in control	-	-	893,271	-
Distributions to non-controlling interests	(18,750)	-	(18,750)	-
Cash (used in) provided by investing activities	**(18,750)**	**-**	**874,521**	**-**
Financing activities				
Proceeds from securitization debt, net of repayments and holdback	25,807,443	-	30,565,591	-
Cash (used in) provided by financing activities	**25,807,443**	**-**	**30,565,591**	**-**
Increase (decrease) in cash during period	1,888,327	(82,591)	4,973,724	(119,730)
Cash, beginning of period	3,801,406	4,604,222	716,009	4,641,361
Cash, end of period	**5,689,733**	**4,521,631**	**5,689,733**	**4,521,631**

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization

Description of the business

Cliffside Capital Ltd. (the "Company") was incorporated on October 22, 2013 and was initially classified as a Capital Pool Company under the terms of the TSX Venture Exchange (the "Exchange"). The Company completed its Qualifying Transaction ("QT") on July 1, 2016 and on July 6, 2016 received the Final Exchange Bulletin issued by the Exchange and thereafter resumed trading on the Exchange under the symbol CEP.

The Company's registered office is located at Suite 200, 11 Church Street, Toronto, Ontario M5E 1W1.

The Company holds investments in two limited partnerships, CAL LP and ACC LP III (the "Partnerships"). The Partnerships were formed to engage in the business of investing in retail sales contracts secured by collateral charges on motor vehicles that are originated in Canada. CAL LP was formed on February 22, 2016 and ACC LP III was formed on October 14, 2016. The Company owns 85-per-cent and 60-per-cent of the partnership units in CAL LP and ACC LP III respectively, and AutoCapital Canada Management Inc. ("ACCMI") owns the remaining interest.

CAL LP's and ACC LP III's registered offices are located at Suite 200, 11 Church Street, Toronto, Ontario M5E 1W1.

Approval of financial statements

The financial statements were approved by the Company's Board of Directors and authorized for issue on August 16, 2017.

2. Change in Accounting Treatment of Investments in Limited Partnerships

Prior to December 31, 2016, the Company accounted for its investment in the Partnerships under the equity method in accordance with IAS 28 as it was deemed that ACCMI controlled the Partnerships by virtue of its ability to direct the relevant activities of the Partnerships.

Subsequent to December 31, 2016, each Partnership entered into arrangements with institutional lenders to allow each Partnership to leverage its capital and grow its asset base. In addition, each Partnership entered into an agreement for the ongoing purchase of retail sales contracts originated by ACCMI, pursuant to which, the Company sets the investment criteria under which contracts are presented for purchase to each Partnership and for further monetization.

As a result of these changes, management performed an assessment of control for accounting purposes and concluded that the relevant activities had materially changed such that the Company has acquired control of the Partnerships for accounting purposes pursuant to IFRS 10, due to its power over the relevant activities of the Partnerships and its ability to influence its returns. Accordingly, the Company's interest in ACC LP III has been consolidated from January 31, 2017 and the Company's interest in CAL LP has been consolidated from March 31, 2017 in accordance with IFRS 10. As a result of acquiring control, the transaction costs of $376,197 that were originally capitalized as a result of acquiring the partnership units in CAL LP, have been written off as a loss on acquisition of control.

As a result of the consolidation, the Exchange released the Company from a previous undertaking, and as such, separate financial statements for CAL LP will no longer be filed on SEDAR.

3. Summary of Significant Accounting Policies

Basis of presentation

These financial statements are stated in Canadian dollars, which is the functional currency of the Company and have been prepared using the historical cost convention.

The statement of financial position of the Company is presented on a non-classified basis in order of liquidity of assets and liabilities. Due to the prepayment feature related to the finance receivables, presentation based on liquidity provides information that is reliable and more relevant.

Statement of compliance

These interim financial statements have been prepared by management in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

The accounting policies followed in these interim financial statements are consistent with those of the Company's audited annual financial statements for the year ended December 31, 2016. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

Basis of consolidation

These financial statements include the accounts of the Company and the Partnerships. The financial statements of the Partnerships are prepared for the same reporting period as the Company, using consistent accounting policies. All intracompany balances, income and expenses, and distributions are eliminated in full. Consolidation of an investee begins when the Company obtains power over the relevant activities of the investee and is able to use its power to affect variable returns.

The following are the significant accounting policies used in the preparation of these financial statements:

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management of the Company to make certain judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are used when accounting for items and matters such as accounting treatment for investments in limited partnerships, capitalized transaction costs, provision for credit losses, deferred purchase price payable, accrued liabilities, unearned revenue, deferred income taxes, including recoverability of deferred tax assets, and fair value of stock options or other amounts pursuant to the Company's significant accounting policies. Actual results could differ from those estimates. Any changes in estimates are applied on a prospective basis.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding at June 30, 2017:

Type	**Classification**
Cash	Loans and receivables
Investments in limited partnerships	Loans and receivables
Finance receivables - net	Loans and receivables
Other assets	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Deferred purchase price payable	Other financial liabilities
Unearned revenue	Other financial liabilities
Securitization debt	Other financial liabilities

The Company initially measures all of its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

a) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method.
b) Other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and allocating the interest income or interest expense over the expected life of the financial asset or financial liability (or group of financial assets or financial liabilities). The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument. The calculation includes all fees paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method. Capitalized transaction costs in financial assets include the premium associated with purchasing fully serviced retail sales contracts, as well as the Partnerships' share of costs associated with originating the underlying contracts, which are amortized into earnings and netted against interest income. Capitalized transaction costs in financial liabilities include securitization costs which are amortized into earnings and included within interest expense.

Financial assets and financial liabilities are offset with the net amount reported on the statement of financial position only when there is a legally enforceable right to offset the recognized amount in all situations and there is an intention to settle on a net basis or the asset and the liability will be settled simultaneously. No amounts have been offset as at June 30, 2017.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Losses expected as a result of future events, no matter how likely, are not recognized until such time as objective evidence of impairment arises.

The Partnerships establish an allowance for credit losses against the finance receivables first by evaluating the portfolio for specific indications of impairment and then by evaluating the remaining portfolio collectively for indications of impairment. Receivables greater than 90 days past due are fully provided for, net of estimated recoveries.

Investments in equity accounted entities

Entities over which the Company has significant influence are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not in control or joint control over those investees.

Under the equity method, the carrying value of an interest in an investee is initially recognized at cost and adjusted for the Company's share of net income, other comprehensive income ("OCI"), distributions by the equity-accounted investment, and other adjustments to the Company's proportionate interest in the investee. The Company determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the carrying value of the investment, including transaction costs, and the recoverable amount of the limited partnership interest and recognizes the impairment in the statement of net income (loss) and net comprehensive income (loss).

Transaction costs that are directly attributable to the acquisition of the investment are accounted for as part of the carrying value of the investment.

Revenue recognition

Net interest income

The Partnerships recognize interest income and interest expense for all interest-bearing financial instruments using the effective interest method. Recognition of interest income is suspended for any finance receivables that are more than 90 days past due, or sooner in the event collectability is no longer reasonably assured. Interest income is presented net of amortization of capitalized costs associated with originating and purchasing the underlying contracts.

Unearned revenue

The obligors' retail sales contract principal amounts include an administrative fee which may become partially refundable in the event of prepayment prior to the scheduled maturity date of the contract. This unearned revenue is amortized into other income on a daily basis over the term of the retail sales contracts on an effective yield basis using the implicit rate in the retail sales contracts.

Other income

In addition to the amortization of the administrative fee, other income also includes other fees charged to obligors for items such as due date changes, late payments, and non-sufficient funds, all of which are recognized when realized.

Deferred income taxes

Deferred income taxes are calculated using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the statement of financial position are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs. As at June 30, 2017, the Company has recognized a deferred tax asset for the portion of loss carry-forwards and temporary differences it expects to be recoverable as a result of its completion of the QT and investment in the Partnerships.

Stock-based compensation

The Company issues stock-based compensation to directors, officers, employees and consultants. The fair value of options issued to directors, officers, employees and consultants to the Company is charged to net income (loss) over the vesting period with an offsetting amount recorded to contributed surplus. The fair value of options issued to agents in conjunction with a public offering is charged against share capital with the offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes option-pricing model. Consideration paid on the exercise of stock options is recorded as share capital.

Earnings or loss per share

Earnings or loss per share are calculated using the weighted average number of shares outstanding during the reporting period. The treasury stock method of calculating diluted earnings per share is used, which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the reporting period and the proceeds received from the assumed exercise of options are used to acquire shares in the open market at the average price. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation. Shares that are considered contingently returnable are excluded from the calculation of basic and diluted earnings or loss per share.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by shareholders and distributions to shareholders. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises income, expenses and losses that, in accordance with IFRS, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income (loss) in the reporting period, nor is there any accumulated balance of other comprehensive income (loss). All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income (loss) for the period.

Segment reporting

The only segment the Company currently holds investments in is the automotive financial services segment in Canada.

Standards issued but not yet effective

There are pending changes to IFRS which are not yet effective for the period ended June 30, 2017 which have not been applied in the preparation of the financial statements. The Company is currently considering the impact that these standard changes will have on the financial statements. The standards issued or amended but not yet effective at June 30, 2017 include the following:

IFRS 9 'Financial Instruments'

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The entity's own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets – "fair value through other comprehensive income" will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. Management is currently developing an implementation plan for this standard and is evaluating the financial impact expected on the financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Management does not believe this standard will have a material impact on the financial statements.

IFRS 7 'Financial Instruments: Disclosures'

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. Management is currently evaluating the impact of adopting this standard on the financial statements.

4. Acquisition of Control of Limited Partnerships

Prior to December 31, 2016, the Company accounted for its investment in the Partnerships under the equity method in accordance with IAS 28 as it was deemed that ACCMI controlled the Partnerships by virtue of its ability to direct the relevant activities of the Partnerships. As discussed in note 2, the Company acquired control of the Partnerships during the three months ended March 31, 2017 and as such the Investments in Limited Partnerships was eliminated on the statement of financial position. As of June 30, 2017, the Company does not have any investments that are equity accounted for.

	CAL LP	ACC LP III	TOTAL
Balance, December 31, 2016	3,432,381	901,525	4,333,906
Equity pick up prior to consolidation	46,078	5,539	51,617
Subtotal	3,478,459	907,064	4,385,523
Elimination on consolidation (see below)	(3,478,459)	(907,064)	(4,385,523)
Total investments in limited partnerships	**-**	**-**	**-**

Below is a summary of the assets and liabilities acquired on the date of control:

	Mar 31, 2017 CAL LP	Jan 31, 2017 ACC LP III	TOTAL
Assets and liabilities acquired			
Cash	791,871	101,400	893,271
Finance receivables - net	2,524,316	9,172,150	11,696,466
Other assets	550,620	1,859,837	2,410,457
Accounts payable and accrued liabilities	(34,207)	(322,696)	(356,903)
Deferred purchase price	(139,840)	(700,855)	(840,695)
Unearned revenue	(52,114)	(154,078)	(206,192)
Securitization debt	-	(8,443,974)	(8,443,974)
	3,640,646	1,511,784	5,152,430
Loss on acquisition of control	376,197	-	376,197
Less: Non-controlling interest	(538,384)	(604,720)	(1,143,104)
Total elimination on consolidation	**3,478,459**	**907,064**	**4,385,523**

5. Finance Receivables

Finance receivables consist of retail sales contracts which had initial terms of 24 to 84 months at time of origination and fixed rates of interest ranging from 9-per-cent to 25-per-cent. All finance receivables are secured by collateral charges on motor vehicles.

The finance receivables as at June 30, 2017 can be broken down as follows:

	Jun 30, 2017
Finance receivables - gross	42,609,123
Allowance for credit losses	(153,658)
Finance receivables - net	**42,455,465**

Finance receivables – gross

Outstanding payments, including principal and interest, contractually due under the finance receivables, as well as transaction costs, as at June 30, 2017 are outlined below. Management expects that a portion of the retail sales contracts will be repaid in full prior to the maturity date. Accordingly, the maturities in the table below are not a forecast of future cash collections.

	Jun 30, 2017
Within 1 year	11,290,099
In 1 to 3 years	21,835,713
In 4 to 5 years	10,282,773
Greater than 5 years	15,160,023
Total receivables	58,568,608
Less: Unearned interest	(20,218,055)
Total receivables, net of unearned interest	38,350,553
Add: Transaction costs	4,258,570
Finance receivables - gross	**42,609,123**

Allowance for credit losses

The finance receivables are composed of a portfolio of retail sales contracts with each individual contract representing a small amount relative to the portfolio. Management evaluates the allowance for credit loss requirements by taking into consideration current delinquencies, losses incurred on a static pool basis, credit and collection policies, collateral values and economic factors, net of estimated recoveries. Receivables greater than 90 days past due are fully provided for, net of estimated recoveries.

The following illustrates the aging of the finance receivables, excluding transaction costs, as at June 30, 2017:

	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	91+ Days Past Due	Total
Total receivables, net of unearned interest	38,042,012	182,190	47,021	79,330	38,350,553
% of total finance receivables	99.2%	0.5%	0.1%	0.2%	100.0%

The Partnerships' allowance for credit losses at June 30, 2017 can be broken down as follows:

	Jun 30, 2017
Allowance for credit losses, beginning of year	25,916
Provision for credit losses	205,271
Write-offs	(115,968)
Recoveries, net of costs	38,439
Allowance for credit losses, end of period	**153,658**

6. Net Interest Income

Interest income represents interest earned on the finance receivables. The amount is presented net of amortization of capitalized costs associated with originating and purchasing the underlying retail sales contracts, which is broken down as follows:

	3 months ended Jun 30, 2017	6 months ended Jun 30, 2017
Interest income	796,364	1,191,552
Amortization of capitalized costs	(327,131)	(465,185)
Elimination on consolidation	-	(80,332)
Net interest income	**469,233**	**646,035**

7. Deferred Income Taxes

A reconciliation of deferred tax assets is as follows:

	Jun 30, 2017	Dec 31, 2016
Balance, beginning of year	143,346	-
Recognized in net income	(17,444)	69,720
Recognized in equity	-	73,626
Total deferred income taxes	**125,902**	**143,346**

The Company has recognized a deferred income tax asset for the portion of cumulative tax losses it expects to be able to recover, offset by the tax impact of temporary differences. If unutilized, the tax loss carry-forwards expire commencing 2033. The tax benefit of deductible share issuance costs has been allocated directly to share capital.

Taxable income, if any, is distributed to the Partnerships' limited partners on an annual basis. As a result, the Partnerships are not subject to income tax, as the limited partners are taxed directly.

8. Deferred Purchase Price Payable

The Partnerships purchase retail sales contracts from ACCMI, a related party (refer to note 15), on a fully serviced basis. A component of the purchase price paid for the purchased receivables is deferred and payable to ACCMI over the life of the related finance receivables. A breakdown of the amount owing at June 30, 2017 is provided below:

	Jun 30, 2017
Due within 1 year	1,565,075
Due greater than 1 year	1,251,630
Total deferred purchase price payable	**2,816,705**

ACCMI continues to administer the contracts on behalf of the Partnerships who pay a deferred purchase price to ACCMI based on the outstanding finance receivables balance at the end of every month. The total amount payable at the time the Partnerships purchase the receivables is calculated as the present value of these estimated future cash payments, and is capitalized within transaction costs under finance receivables. Accordingly, every month, as the associated finance receivables continue to remain outstanding, a portion of the deferred purchase price becomes due and payable. The liability is paid monthly in arrears with a total of $599,259 paid by the Partnerships to ACCMI for the six months ended June 30, 2017. Of the total deferred purchase price payable, $353,773 is considered due and outstanding as of June 30, 2017.

9. Securitization Debt

ACC LP III entered into a securitization facility with a Canadian Schedule 1 Bank which provides the partnership with access to a revolving financing line of credit of $10 million and $50 million in funding, renewable annually, for the ongoing securitization of fully serviced retail sales contracts owned by the limited partnership. Additionally, CAL LP also entered into a securitization facility with a Canadian life insurance company which provides the partnership with access to a revolving financing line of credit of $6 million and $50 million in funding, renewable annually, for the ongoing securitization of fully serviced retail sales contracts owned by the limited partnership. Together, both facilities allow the Partnerships to securitize up to $100 million and finance up to $16 million of receivables. These facilities allow the Company to leverage its invested capital in the Partnerships.

As of June 30, 2017, the Partnerships had securitized finance receivables for securitization proceeds of $45 million which had principal outstanding at time of securitization of $39 million. Securitization debt is recorded at amortized cost using the effective interest method. Each tranche securitized under the facilities has a fixed rate of interest. The weighted average interest rate on the securitization debt is 4.63-per-cent.

Securitization debt represents funding secured by the finance receivables and sold to the securitizers. The securitization transaction does not qualify for de-recognition under IFRS due to the fact that the Partnerships retain exposure to prepayment risk and certain credit loss risk. As such, net proceeds received upon securitization are recognized as securitization debt on the statement of financial position and the related finance receivables continue to be recognized as assets. In order to protect against these prepayment and credit loss risks, the securitizers maintain a cash holdback account which is held in reserve for the Partnerships. The securitizers have recourse to draw down on the cash holdback for any obligor defaults experienced in the securitized portfolio and reduce their exposure to potential credit losses. The cash holdback is offset against securitization debt on the statement of financial position. Additionally, as further protection against prepayment and credit loss risks, the securitizers also have an overcollateralization component to every securitization transaction. As a result, the securitizers have recourse against 100-per-cent of the collateral, however purchase less than 100-per-cent of the finance receivables.

Pursuant to the securitization agreements, the securitizers appoint ACCMI as the servicer of all retail sales contracts securitized by the Partnerships. The Partnerships, the Company and ACCMI are subject to certain financial covenants under the securitization facilities, including minimum tangible net worth requirements, all of which were in compliance during the period.

In accordance with the securitization agreements, the Partnerships transfer all of their rights, title and interest in the securitized finance receivables to the securitizers, and must remit all scheduled or received principal and interest payments to the securitizers. Each securitization transaction has a fixed maturity, interest rate and repayment schedule based on the underlying finance receivables. If the Partnerships fail to meet any covenants under the securitization agreements, the securitizer may take control of the finance receivables and assign a back-up servicer. Under this event, the Partnerships' obligation as it pertains to the securitization debt would be extinguished. As such, the total cash holdback and the finance receivables overcollateralization represent the Partnerships' maximum exposure to their securitized receivables. The securitization debt is non-recourse to the Partnerships.

The securitization debt activity and balance during the period is broken down as follows:

	3 months ended Jun 30, 2017	**6 months ended Jun 30, 2017**
Securitization debt, opening balance	13,181,742	-
Net proceeds on securitization	29,769,541	44,977,902
Repayments to securitizer	(1,322,738)	(1,654,143)
Additions to cash holdback	(2,639,362)	(4,314,195)
Reductions to cash holdback	-	-
Unamortized securitization costs	(56,431)	(76,811)
Securitization debt, ending balance	**38,932,753**	**38,932,753**

Securitization costs are capitalized and amortized into interest expense over the term of the securitization agreement.

10. Share Capital

a) Authorized and Issued

The Company is authorized to issue an unlimited number of common shares. Issued and outstanding common shares are summarized below:

	Shares	Amount ($)
Opening balance, January 1, 2016	55,000,000	4,662,165
Issuance of common shares	-	-
Ending balance, June 30, 2016	**55,000,000**	**4,662,165**
Opening balance, January 1, 2017	55,000,000	4,735,791
Issuance of common shares	-	-
Ending balance, June 30, 2017	**55,000,000**	**4,735,791**

b) Share Issuance Summary

On October 22, 2013, the Company issued one share at a price of $0.05 per common share for total proceeds of $0.05. On December 16, 2013, the Company issued an additional 9,999,999 shares at a price of $0.05 per common share for total proceeds of $499,999.95.

On March 26, 2014 the Company closed a non-brokered private placement, pursuant to which the Company sold an aggregate of 35,000,000 Common Shares at $0.10 per share, for aggregate gross proceeds to the Company of $3,500,000.

On April 14, 2014 Raymond James Ltd. (the “Agent”) subscribed to 10 million shares at a price of $0.10 per share for aggregate gross proceeds to the Company of $1 million in relation to the Company’s initial public offering (“IPO”). Share issuance costs of $337,835 were deducted from the gross share capital proceeds raised of $5 million. The Company’s common shares began trading on the Exchange on April 17, 2014. The Company recognized a tax benefit related to the share issuance costs of $73,626 in 2016 which it expects to be recoverable as a result of its completion of the QT and investment in the Partnerships.

c) Incentive Stock Options

On completion of the IPO in 2014, the Company granted 5,500,000 incentive stock options to its directors and officers to purchase an aggregate of up to 10-per-cent of the issued and outstanding common shares at a price of $0.10 per common share, exercisable for a period of ten years from the date granted. In addition, as part of the compensation to the Agent, the Company issued 1,000,000 options exercisable for 24 months from the date of issue at the exercise price of $0.10. All of the stock options were fully vested upon issuance and the fair value thereof was recorded immediately in earnings at that time as compensation expense.

In 2015, 550,000 incentive stock options were granted to the Chief Financial Officer at a price of $0.10 per common share, exercisable for a period of ten years from the date granted. The options were fully vested upon issuance and the fair value thereof was recorded immediately in earnings at that time as compensation expense.

Further, in 2016, incentive stock options of 1,000,000 were granted to the Chief Executive Officer at an exercise price of $0.105, exercisable for a period of ten years from the date granted. 25-per-cent of these stock options vested upon grant and vest in further 25-per-cent increments on November 28th in each of 2017, 2018 and 2019. The fair value of the portion vested as of December 31, 2016 was recorded in earnings during that period as stock-based compensation expense.

Issued and outstanding stock options at June 30, 2017 were 4,850,000, of which, 4,100,000 were exercisable. Subsequent to June 30, 2017, 550,000 options were exercised.

d) Escrowed Shares

34,250,000 of the 45,000,000 common shares of the Company issued in 2014 prior to the IPO were deposited with the escrow agent under an escrow agreement (the "Escrowed Shares"). The Escrowed Shares were not to be released until the Exchange issued the Final Exchange Bulletin. The Final Exchange Bulletin was issued on July 6, 2016.

On July 6, 2016, 10-per-cent, or 3,425,000, of the original number of all Escrowed Shares were released. On January 6, 2017, an additional 5,137,499 Escrowed Shares were released, and an additional 15-per-cent of the original number of Escrowed Shares will be released on the dates 12 months, 18 months, 24 months, 30 months and 36 months following the issuance of the Final Exchange Bulletin so that all Escrowed Shares will have been released three years after the date of the Final Exchange Bulletin.

Issued and outstanding Escrowed Shares are as follows:

	Shares
Ending balance, December 31, 2016	30,825,000
Released	(5,137,499)
Ending balance, June 30, 2017	**25,687,501**

Subsequent to June 30, 2017, 5,137,500 shares were released from escrow.

11. Non-Controlling Interest

As referenced in note 2, the Company commenced consolidating its interest in ACC LP III as of January 31, 2017 and in CAL LP as of March 31, 2017.

A breakdown of the non-controlling interest on the statement of financial position as of June 30, 2017 is as follows:

	CAL LP	**ACC LP III**	**TOTAL**
Equity invested by third parties in partnerships	529,422	600,010	1,129,432
Non-controlling portion of retained earnings	831	1,017	1,848
Non-controlling portion of current period earnings	13,282	25,938	39,220
Non-controlling portion of distributions	(18,750)	-	(18,750)
Total non-controlling interest	**524,785**	**626,965**	**1,151,750**

Of the non-controlling portion of current period earnings, $27,396 relates to the period post acquisition of control and is therefore deducted as non-controlling interest on the statement of net (income) loss and comprehensive (income) loss.

12. Earnings (Loss) Per Share

Earnings (loss) per share for the three and six months ended June 30, 2017 and 2016 were calculated based on the following:

	For the three months ended		For the six months ended	
	Jun 30, 2017	**Jun 30, 2016**	**Jun 30, 2017**	**Jun 30, 2016**
Net income (loss) attributable to shareholders ($)	(47,983)	(7,270)	(355,210)	(9,512)
Weighted average shares outstanding - basic	55,000,000	45,000,000	55,000,000	45,000,000
Earnings (loss) per share – basic ($)	**(0.00)**	**(0.00)**	**(0.01)**	**(0.00)**
Net income (loss) attributable to shareholders ($)	(47,983)	(7,270)	(355,210)	(9,512)
Weighted average shares outstanding - diluted	55,722,340	45,000,000	55,890,816	45,000,000
Earnings (loss) per share – basic and diluted ($)	**(0.00)**	**(0.00)**	**(0.01)**	**(0.00)**

The Company's share price at June 30, 2017 was $0.145 resulting in a dilutive impact on the weighted average shares outstanding as the issued and unexercised options were in the money. The diluted weighted average shares outstanding includes the dilutive effect of stock options issued and outstanding at June 30, 2017.

As a capital pool company, the 10 million common shares issued in 2013 pursuant to two separate non-brokered private placements comprising a seed round of 10 million common shares at $0.05 per share were considered contingently returnable and were previously excluded from the weighted average shares outstanding denominator for the calculation of basic and diluted earnings or loss per share. On July 6, 2016 the Exchange issued the Final Exchange Bulletin for the QT and confirmed that effective from July 7, 2016 the Company was no longer considered a Capital Pool Company. Accordingly with effect from July 6, 2016, these 10 million shares issued in 2013 are no longer considered contingently returnable shares and have been included in the denominator for the weighted average shares outstanding for the calculation of earnings or loss per share.

13. Capital Management

The Company's capital is comprised of equity and securitization debt. The Company's objectives when managing capital are to safeguard the Company's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The securitization facilities entered into by the Partnerships provide access to $100 million of funding and $16 million of revolving financing in order to fund the acquisition of retail sales contracts.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company expects its current capital resources will be sufficient to carry its operations through its current operating period.

14. Financial Instruments and Risk Management

In the normal course of business, the Company is exposed to certain financial risks and uncertainties, and manages them as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary sources of liquidity for the Company are from cash raised from equity financing and future distributions from the Partnerships, which would be used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which may be used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity. The primary source of liquidity for the Partnerships is cash flows from the collection of finance receivables. As at June 30, 2017, the undiscounted cash flows arising from the finance receivables, excluding transaction costs, are as follows:

	Within 1 year	**In 1 to 3 years**	**In 4 to 5 years**	**Greater than 5 years**	**Total**
Total receivables	11,290,099	21,835,713	10,282,773	15,160,023	58,568,608

These cash flows are considered to be sufficient to cover the Partnerships financial obligations for the same period as follows:

	Within 1 year	**In 1 to 3 years**	**In 4 to 5 years**	**Greater than 5 years**	**Total**
Securitization debt	7,913,305	14,991,428	7,127,447	8,900,572	38,932,753
Deferred purchase price payable	1,565,075	1,021,191	224,792	5,647	2,816,705
Accounts payable and accrued liabilities	751,605	-	-	-	751,605
	10,229,985	16,012,619	7,352,239	8,906,219	42,501,063

The amounts reported for securitization debt are based on contractual maturities. However the debt may be due earlier if the corresponding finance receivables run-off sooner. Accordingly, the maturities in the tables above are not a forecast of future cash flows.

Credit Risk

Credit risk arises from the possibility that obligors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. Credit risk has a significant impact on finance receivables. The underlying obligors to the finance receivables typically would not be approved for financing at prime rates. These customers may have had poor or inadequate credit history, or may be purchasing a vehicle that does not meet prime auto lending guidelines.

The performance of the finance receivables depends on a number of factors, including general economic conditions, unemployment levels, risk of fraud, and the circumstances of individual obligors. The maximum exposure to the finance receivables is represented by the carrying amount thereof. Although credit risk has a significant impact on retail receivables, it is mitigated by the Partnerships having a first priority perfected security interest in the related financed vehicles. In the case of obligor defaults, the value of the repossessed collateral provides a source of protection. Every reasonable effort is made to follow-up on delinquent accounts and to keep accounts current and repossession is considered only as a last resort. Refer to note 5 for details on past due accounts as of June 30, 2017. A repossessed vehicle is sold and proceeds are applied to the amount owing on the account. As such, the Partnerships are also exposed to fluctuations in used vehicle prices.

The finance receivables have no significant concentration of credit risk due to the fact that they are made up of a pool of receivables, with no individual receivable having a significant balance in relation to the outstanding portfolio balance. The receivables are geographically dispersed throughout Canada, the underlying collateral consists of varying vehicle makes, models and types, the underlying obligors of the receivables have varying credit ratings, and the receivables have varying interest rates and terms.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The finance receivables are subject to fixed interest rates and are carried at amortized cost, such that there is no re-measurement of carrying amount as market interest rates fluctuate. Securitization debt is subject to fixed rates of interest for each tranche securitized. The revolving lines of credit have floating rates of interest however significant exposure is not expected due to the short term nature of the revolving debt.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have significant transactions denominated in foreign currency and therefore is not currently exposed to significant foreign currency risk.

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

Counterparty Risk

The Company and Partnerships are exposed to counterparty risk through their relationship with ACCMI and their funders. ACCMI is responsible for presenting retail sales contracts to the Partnerships that meet the Company's investment criteria. There is a risk that ACCMI may not be able to present contracts that are acceptable to the Company and the Partnerships would have to find a new source of originations. Additionally, the Partnerships are exposed to the risk that the funders may cease securitizing retail sales contracts in which case the Partnerships would have to find other sources of financing.

Fair Values

In measuring fair value, the Company uses various valuation methodologies and prioritizes the use of observable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in the Company's fair value hierarchy assessment.

- Level 1 - inputs include quoted prices for identical instruments and are the most observable.
- Level 2 - inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates and yield curves.
- Level 3 - inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments.

The Company reviews the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. The valuation techniques used in estimating fair values are as follows:

- Finance receivables, securitization debt and deferred purchase price payable - The fair value is calculated by discounting anticipated future cash flows at an appropriate risk weighted rate and takes into consideration, estimated losses, estimated prepayments, estimated administration costs, and other fees ancillary to administering the underlying retail sales contracts. The fair value of finance receivables and deferred purchase price payable are categorized within Level 3 of the hierarchy.
- Cash, other assets, accounts payable and accrued liabilities - The carrying value of these items

approximates fair value due to their short-term nature.

	Fair Value Level	Carrying Value	Fair Value
Financial assets through profit and loss			
Cash	1	5,689,733	5,689,733
Other assets	1	526,974	526,974
Financial assets			
Finance receivables - net	3	42,455,465	42,455,465
Financial liabilities			
Securitization debt	3	38,932,753	38,932,753
Deferred purchase price payable	3	2,816,705	2,816,705

15. Related Party Transactions

The Company has related party relationships with the below entities.

- LC Asset Management Corporation - The Company entered into a management agreement with LC Asset Management Corporation (the “Manager”) dated July 1, 2016 to provide investment advice and manage the operations of the Company. The Company pays the Manager a fee of 1.25-per-cent annually of the Company’s gross unconsolidated assets and a potential performance bonus subject to the financial performance of the Company. The Manager is related to the Company as result of significant common ownership. Additionally, the Chief Executive Officer of the Company holds the same position for the Manager.
- ACCMI and ACC LP II – ACCMI is the other limited partner in each of the Partnerships. The Partnerships each have an agreement with ACCMI and ACC LP II for the ongoing purchase of retail sales contracts originated by ACCMI which meet certain investment criteria established by the Company. Pursuant to these agreements, ACCMI is responsible for providing ongoing portfolio and securitization facility administration services to the Partnerships. Accordingly, a portion of the purchase price is payable upfront, and a portion is deferred and payable over the life of the underlying retail sales contracts. ACCMI sells the contracts to the Partnerships through ACC LP II. ACCMI and ACC LP II are related to the Company as a result of significant common ownership. Additionally, the Chief Executive Officer of the Company holds the position of Chief Corporate Development Officer for ACCMI.
- CAL LP and ACC LP III – The Partnerships are considered related to the Company given that the Company exercises control over the Partnerships for accounting purposes and are thus consolidated with the Company’s financial results.

During the period, the following related party transactions occurred:

a) Management fees payable to the Manager of $16,865 and $34,745 were incurred during the three and six months ended June 30, 2017 respectively. Together with accrued management fees from the prior year, the total amount payable and outstanding to the Manager is $68,175.

b) In 2016, CAL LP advanced $425,000 to the Company. The amount was non-interest bearing with no fixed terms of repayment and was repaid in April 2017.

c) The Partnerships acquired retail sales contracts from ACC LP II that were originated by ACCMI during the period. Refer to note 8 for amounts and further details. Additionally, included within accounts payable and accrued liabilities are $537,030 of amounts due by the Partnerships to ACC LP II related to the acquisition of the contracts.