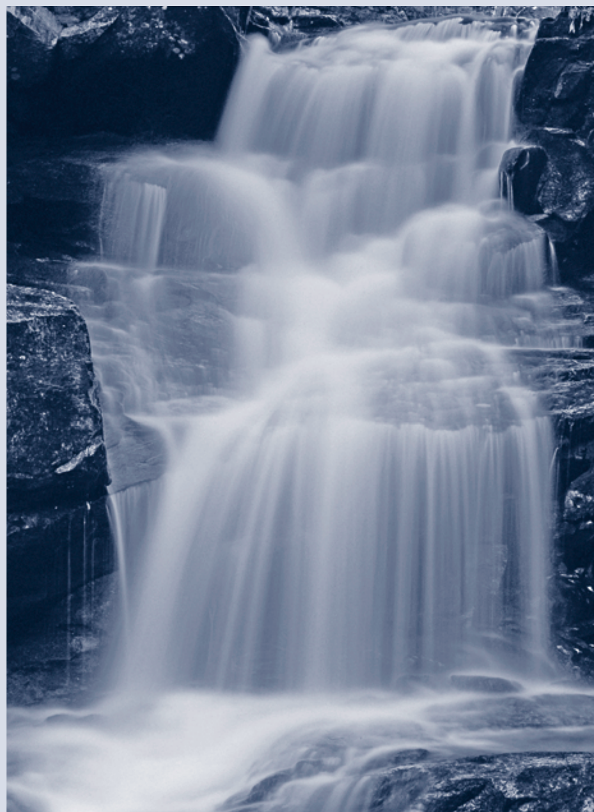
THIRD QUARTER REPORT ▪ SEPTEMBER 30, 2010



Keeping Business Liquid

Tom Henderson
President &
Chief Executive Officer

Letter to the Shareholders

Enclosed are the results for the third quarter and nine months ended September 30, 2010 together with comparative figures for the same period of 2009, as well as Management's Discussion and Analysis for the same periods. This report has not been reviewed by the Company's auditors, but has been reviewed and approved by its Audit Committee and Board of Directors.

Factoring volume increased by 30% to a third quarter record $582 million, compared to last year's third quarter. Revenue rose by 44% to $8,141,000, also a third quarter record, compared to $5,664,000 last year on improved volume, funds employed, and factoring yields. Our interest cost increased to $476,000 compared to $271,000 a year ago, largely due to increased borrowings required to fund higher funds employed. Overhead costs, comprising general and administrative expense and depreciation, rose 22% over last year's third quarter to $3,073,000 principally on stock-based compensation expense related to the Company's share appreciation rights ("SARs") program and higher profit sharing. An impairment charge of $1,151,000 was taken in the current quarter against the assets held for sale as an appraisal determined their net realizable value was below book value. The provision for credit and loan losses declined to $602,000 from $1,176,000 in the third quarter of 2009.

Net earnings for the third quarter of 2010 almost doubled to $1,370,000 compared with $709,000 last year. Earnings per share for this year's third quarter were 15 cents compared with the 8 cents earned last year. Revenue and net earnings, both in our Canadian and U.S. operations, rose strongly in the third quarter compared to last year. Revenue and net earnings were $5,256,000 and $935,000, respectively, in Canada compared to $4,343,000 and $322,000, respectively, in the third quarter of 2009. They were $2,886,000 and $435,000, respectively, in our U.S. operation compared to $1,345,000 and $387,000, respectively, last year.

Factoring volume for the nine months ended September 30, 2010 totalled $1,588 million, up 29% compared with $1,232 million in 2009. Total revenue for the current nine month period was $23,190,000, up 33% from $17,412,000 last year. Interest expense rose to $1,270,000 from $816,000 in 2009. Overhead costs increased 8% to $11,091,000 in 2010 compared with $10,239,000 in 2009 for the same reasons mentioned above. As noted, an impairment charge of $1,151,000 was taken against the assets held for sale in the nine month period. The provision for credit and loan losses declined to $1,671,000 compared with $2,589,000 in the first nine months of 2009.

Net earnings for the first nine months of 2010 totalled $5,292,000, up 113% from the $2,484,000 earned in the comparable period of 2009. Earnings per share were 56 cents this year, up 115% from the 26 cents last year. For the nine months ended September 30, 2010, Canadian revenue and net earnings improved strongly to $14,997,000 and $3,095,000, respectively, versus $12,104,000 and $1,503,000, respectively, for the same period of 2009. U.S. revenue and net earnings rose sharply to $8,193,000 and $2,197,000,

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respectively, compared with $5,333,000 and $981,000, respectively, last year.

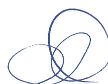
The Company's gross factored receivables and loans, plus assets available for sale (that resulted from a foreclosed loan), at September 30, 2010 were 43% higher, at $112 million, than the $78 million last September 30. Adding managed receivables to these figures, the Company's total portfolio was $299 million at September 30, 2010 compared with $261 million at September 30, 2009. Although the value of the U.S. dollar fell by 11% over the last 12 months, which adversely impacted the value of the Company's investment in its U.S. subsidiary, total shareholders' equity increased to $46 million as of September 30, 2010. This is equivalent to a book value per share of $4.89 versus $4.67 a year ago.

Our factoring volume and revenues were third quarter records for the Company, while our net earnings before the impairment charge would have been a third quarter record. Our portfolio seems to be in the best condition since the onset of the Great Recession in 2008 and I am very pleased to report that our underlying business is performing very nicely. We have also completed a number of internal projects designed to improve the image of the Accord brand and to broaden its reach in Canada and the U.S.

In my second quarter letter I described the general economic outlook as "cloudy" and I'll stick with that for now. This makes it harder for us to gauge how the economy will affect the operations of our clients and, to a lesser degree, us. What is clearer to me, however, and with respect to the U.S. only, is that most banks have not resumed their pre-recession aggressive commercial lending practices and we hope that doesn't change soon. The longer they behave in this manner the more our U.S. business will benefit.

At the Board of Directors meeting held today, a regular quarterly dividend of 7.5 cents per common share was declared payable December 1, 2010 to shareholders of record November 15, 2010.

The Accord family suffered a big loss on September 21st when long time Director Frank White passed away after a gallant battle with cancer. Frank made many contributions to our success over the years and we will have more comment on that in our annual report.



Tom Henderson
President and Chief Executive Officer

Toronto, Ontario
October 26, 2010

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Stuart Adair
Vice President, Chief Financial Officer

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

Quarter and nine months ended September 30, 2010 compared with quarter and nine months ended September 30, 2009

Overview and Non-GAAP Financial Measures

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter and nine months ended September 30, 2010 compared with the quarter and nine months ended September 30, 2009 and, where presented, the quarter and nine months ended September 30, 2008. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A should be read in conjunction with the Company's interim unaudited consolidated financial statements (the "Statements") and notes for the quarter and nine months ended September 30, 2010 and 2009, which are included as part of this 2010 Third Quarter Report and as an update in conjunction with the discussion and analysis and audited consolidated financial statements and notes thereto included in the Company's 2009 Annual Report. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com. All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Please refer to note 3(b) to the Statements regarding the Company's use of accounting estimates in the preparation of its financial statements in accordance with GAAP.

The Company uses a number of financial measures to assess its performance and some of these are presented herein to help the reader better understand certain aspects of the Company's operating performance. These measures may not have standardized meanings or computations that would ensure consistency and comparability between companies using these measures. The Company derives these measures from amounts presented in its Statements, which are prepared in accordance with GAAP. The Company's focus continues to be on GAAP measures and any other information presented herein is purely supplemental to help the reader better understand its business. The non-GAAP financial measures presented in this MD&A are defined as follows:

a) book value per share - book value is the net asset value of the Company calculated as total assets minus total liabilities and, by definition, is the same as total shareholders' equity. Book value per share is the net asset value divided by the number of shares outstanding as of a particular date.

b) (i) shareholders' equity expressed as a percentage of total assets and (ii) debt (bank indebtedness and notes payable) expressed as a percentage of shareholders' equity. These percentages provide information on the Company's financial leverage compared to the prior periods.

The following discussion contains certain forward-looking statements that are subject to significant risks and uncertainties that could cause actual results to differ materially from historical results and percentages. Factors that may impact future results are discussed in the Risks and Uncertainties section below.

Accord's Business

Accord is a leading North American provider of factoring and other asset-based financial services to businesses, including financing, collection services, credit investigation and guarantees. The Company's financial services are discussed in more detail in its 2009 Annual Report. Its clients operate in a wide variety

Quarterly Financial Information

(unaudited, in thousands of dollars except earnings per share)

Quarter ended		Revenue	Net Earnings	Basic Earnings Per Share	Diluted Earnings Per Share
2010	**September 30**	$ 8,141	$ 1,370	$ 0.15	$ 0.15
	June 30	8,069	2,312	0.25	0.25
	March 31	6,979	1,611	0.17	0.17
2009	December 31	$ 6,633	$ 605	$ 0.06	$ 0.06
	September 30	5,664	709	0.08	0.08
	June 30	5,677	494	0.05	0.05
	March 31	6,071	1,280	0.14	0.14
	Total	$24,045	$ 3,089*	$ 0.33	$ 0.33
2008	December 31	$ 6,753	$ 462	$ 0.05	$ 0.05
	September 30	6,785	1,332	0.14	0.14
	June 30	7,094	1,759	0.19	0.18
	March 31	7,427	1,488	0.16	0.16
	Total	$28,060*	$ 5,041	$ 0.53*	$ 0.53

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

of industries, details of which are set out in note 15(a) to the Statements.

The Company, founded in 1978, operates three factoring companies in North America, namely, Accord Financial Ltd. ("AFL") and Accord Financial Inc. ("AFIC") in Canada and Accord Financial, Inc. ("AFIU") in the United States.

The Company's business principally involves: (i) recourse factoring by AFIC and AFIU, which entails financing or purchasing receivables on a recourse basis, as well as asset-based lending, namely, financing other tangible assets, such as inventory and equipment; and (ii) non-recourse factoring by AFL, which principally involves providing credit guarantee and collection services on a non-recourse basis, generally without financing.

Results of Operations

Quarter ended September 30, 2010 compared with quarter ended September 30, 2009

Net earnings for the quarter ended September 30, 2010 increased 93% to $1,370,000 compared to $709,000 in last year's third quarter. They were 3% higher than 2008's third quarter net earnings of $1,332,000. The increase in net earnings compared to the third quarter of 2009 and 2008 principally resulted from an increase in revenue. Diluted earnings per common share for the current quarter were 15 cents, compared to the 8 cents earned last year and the 14 cents earned in 2008.

Factoring volume increased to $582 million, a third quarter record, compared to $449 million in the third quarter of 2009. Recourse and non-recourse volume rose by 58% and 7%, respectively. Volume increased largely as a result of significant new client additions since September 30, 2009.

Revenue increased 44% in the current quarter to $8,141,000, a third quarter record, compared with $5,664,000 last year. Revenue was 20% higher than the $6,785,000 in 2008's third quarter. Revenue rose as a result of a combination of higher factoring volume and increased factored receivables and loans (collectively, "Loans" or "Funds Employed"), as well as improved yields and reduced non-performing Loans compared to the third quarters of 2009 and 2008.

Total expenses for the third quarter of 2010 increased by $1,470,000 or 32% to $6,035,000 compared to $4,565,000 last year. Expenses included an impairment charge taken against the Company's assets held for sale of $1,151,000. General and administrative expenses ("G&A") increased by $689,000 to $3,762,000, while interest expense was $205,000 higher at $476,000. The provision for credit and loan losses declined by $574,000 to $602,000, while depreciation expense was slightly lower at $44,000.

Interest expense increased by 76% on higher borrowings (bank indebtedness and notes payable) and interest rates. Borrowings largely increased to fund new clients.

G&A comprises personnel costs, representing the majority of G&A, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. G&A expenses rose by 22% in the current quarter largely as a result of stock-based compensation expense of $328,000 (2009 - nil) related to the

Company's share appreciation rights ("SARs") program and a $145,000 rise in profit sharing expense related to an increase in the Company's earnings. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses, a combination of net charge-offs and a charge or recovery related to changes in the Company's total allowance for losses, declined by 49% to $602,000 this year on lower charge-offs. The provision for credit and loan losses in the third quarters of 2010 and 2009 comprised:

	Quarter ended September 30	
(in thousands)	2010	2009
Net charge-offs	$ 197	$ 2,262
Charge (recovery) related to increase (decrease) in total allowances for losses	405	(1,086)
	$ 602	$ 1,176

The Company is prudent in its approach to providing for charge-offs and believes that all problem accounts have been identified and adequately provided for. Please see the discussion on the Company's allowances for losses on pages 6 and 7.

During May 2009, the Company obtained title to certain foreclosed assets securing a defaulted loan and is currently actively marketing the assets for sale. An impairment charge of $1,151,000 (2009 – nil) was taken against the assets in the current quarter as the Company determined that the net realizable value of the assets had declined below their book value (see note 5 to the Statements and the discussion below).

Income tax expense rose by 89% to $737,000 in the current quarter compared to $390,000 in the third quarter of 2009 on a 92% increase in pre-tax earnings. The effective income tax rate for the current quarter was 35.0%, slightly below the 35.5% in last year's third quarter.

Canadian operations reported significantly higher net earnings in the third quarter of 2010 compared to 2009 (see note 11 to the Statements). Net earnings increased by 190% to $935,000 compared to $322,000 last year on higher revenue and a lower provision for credit and loan losses. Revenue rose by $913,000 or 21% to $5,256,000. Expenses increased by $45,000 or just over 1% to $3,900,000. The rise in expenses resulted from a $645,000 increase in G&A and an $84,000 rise in interest expense for reasons noted above. The provision for credit and loan losses declined by $685,000 to $571,000 on lower charge-offs. Depreciation expense was largely unchanged. Income tax expense rose by $255,000 to $421,000 on the rise in pre-tax earnings.

U.S. operations reported a 12% increase in net earnings this quarter. Net earnings rose to $435,000 in the quarter compared to $387,000 last year. Revenue rose by 115% on significantly higher factoring volume and Funds Employed, as well as improved yields. Expenses increased by $1,401,000 or 191% to $2,135,000, mainly as a result of the above noted impairment charge of $1,151,000 taken against the assets held for sale. The provision for credit and loan losses rose by $111,000 to an expense of $31,000, interest expense was $97,000 higher at $106,000, while G&A rose $44,000 to $842,000. Depreciation declined slightly. Income tax expense increased by $92,000 to $316,000. It is noted that the 5% decline in the average value of the U.S. dollar this quarter compared to last year's third quarter served to reduce the Canadian dollar equivalent of AFIU's earnings by $33,000 in the quarter.

Nine months ended September 30, 2010 compared with nine months ended September 30, 2009

Net earnings for the first nine months of 2010 increased by $2,809,000 or 113% to $5,292,000 compared to $2,484,000 last year. The increase in net earnings principally resulted from higher revenue. Diluted earnings per common share for the nine months were 56 cents, 115% higher than the 26 cents earned last year.

Factoring volume increased by $356 million or 29% to a nine month record $1,588 million compared to $1,232 million last year. Recourse and non-recourse volume rose by 53% and 7%, respectively. As noted above, volume rose largely as a result of new client additions since September 30, 2009.

Revenue for the current nine month period increased by $5,777,000 or 33% to $23,190,000 compared with $17,412,000 in the first nine months of 2009. Revenue rose for the reasons noted in the third quarter review above.

Total expenses for the current nine months increased by $1,537,000 or 11% to $15,182,000 compared to $13,645,000 last year. An impairment charge of $1,151,000 (2009 – nil) was taken against the assets held for sale, while G&A increased by $880,000 or 9% to $10,092,000 and interest expense rose by $453,000 to $816,000. The provision for credit and loan losses was $919,000 or 36% lower at $1,671,000, while depreciation expense declined by $28,000.

Interest expense rose by 55% on a 45% increase in average borrowings and somewhat higher interest rates. Borrowings increased principally as a result of funding new clients.

G&A largely increased on a $691,000 rise in profit sharing expense related to higher earnings and a $401,000 (2009 - nil) stock-based compensation expense relating to the Company's SARs program. These increases were partly offset by the impact of the weaker U.S. dollar this year, which served to reduce the Canadian dollar equivalent of AFIU's expenses, and lower severance costs.

The provision for credit and loan losses decreased by 36% to $1,671,000 in the current nine month period compared to $2,589,000 last year on lower charge-offs. The provision for credit and loan losses for the first nine months of 2010 and 2009 comprised:

	Nine months ended September 30	
(in thousands)	2010	2009
Net charge-offs	$ 1,113	$ 3,746
Charge (recovery) related to increase (decrease) in total allowances for losses	558	(1,157)
	$ 1,671	$ 2,589

As noted above, an impairment charge of $1,151,000 was taken against the assets held for sale in the current nine month period as the Company determined that the net realizable value of the assets had declined below their book value (see note 5 to the Statements and the discussion below).

Income tax expense rose by 111% to $2,715,000 compared to $1,284,000 in the first nine months of 2009 on a similar percentage increase in pre-tax earnings. The effective income tax rate was 33.9%, slightly below last year's 34.1%.

Canadian operations reported a 106% increase in net earnings in the first nine months of 2010 compared to 2009 (see note 11 to the Statements). Net earnings rose by $1,592,000 to $3,095,000 compared to $1,503,000 last year as a result of higher revenue. Revenue rose by $2,893,000 or 24% to $14,997,000. Expenses increased by $619,000 or 6% to $10,501,000. G&A rose by $970,000 to $8,263,000 for reasons noted above, while interest expense increased by $257,000 to $1,042,000. The provision for credit and loan losses decreased by $590,000 to $1,092,000 and depreciation was $18,000 lower. Income tax expense rose by $682,000 or 95% to $1,401,000 as pre-tax earnings doubled.

U.S. operations also reported much improved results compared to the first nine months of 2009. Net earnings rose by 124% to $2,197,000 compared to $981,000 last year. Revenue increased by $2,860,000 or 54% to $8,193,000 on higher volume and Funds Employed, as well as improved yields. Expenses rose by $895,000 or 24% to $4,682,000 largely as a result of the impairment charge of $1,151,000 discussed above. Interest expense rose by $172,000 on higher borrowings and interest rates. The provision for credit and loan losses declined by $328,000, while G&A decreased by $90,000 as a result of the weaker U.S. dollar this year. Income tax expense rose by 133% to $1,314,000 on a similar percentage increase in pre-tax earnings. In U.S. dollars, AFIU's net earnings increased by 161% to US$2,120,000 compared to US$812,000 last year. It is noted that the 11% decline in the average value of the U.S. dollar during the first nine months of 2010 compared to the first nine months of 2009 served to reduce the Canadian dollar equivalent of AFIU's earnings by approximately $300,000.

Review of Balance Sheet

Shareholders' equity at September 30, 2010 totalled $46,020,000, $1,973,000 higher than the $44,047,000 at September 30, 2009 and $2,664,000 higher than the $43,356,000 at December 31, 2009. Book value per common share rose to $4.89 at September 30, 2010 compared to $4.67 a year earlier and $4.61 at December 31, 2009. The increase in shareholders' equity since September 30, 2009 resulted from higher retained earnings, which was partly offset by a decline in the accumulated other comprehensive loss account.

Total assets were $117,000,000 at September 30, 2010 compared to $81,000,000 at September 30, 2009 and $98,000,000 at December 31, 2009. Total assets largely comprised Loans. Excluding inter-company balances, identifiable assets located in the United States were 44% of total assets at September 30, 2010 compared with 34% at September 30, 2009.

Gross Loans, before the allowance for losses thereon, totalled $108 million at September 30, 2010, 50% higher than the $72 million at September 30, 2009 and 19% above the $91 million at December 31, 2009. As detailed in note 4, the Company's factored receivables have risen by 65% to $92 million at September 30, 2010 compared to September 30, 2009 largely on new client additions, while loans to clients are relatively unchanged. Net of the allowance for losses thereon, Loans totalled $106 million at September 30, 2010 compared to $71 million at September 30, 2009 and $90 million at December 31, 2009. Loans principally represent advances made by our recourse factoring and asset-based lending subsidiaries, AFIC and AFIU, to clients in a wide variety of industries. These businesses had approximately 130 clients at September 30, 2010. Two clients each comprised over 5% each of gross Loans at September 30, 2010, of which the largest comprised 6.4%.

In its non-recourse factoring business, the Company contracts with clients to assume the credit risk associated with their receivables, usually without financing them. Since the Company does not take title to these receivables, they do not appear on its balance sheet. These non-recourse or managed receivables increased to $187 million at September 30, 2010, compared to $183 million at September 30, 2009 and $155 million at December 31, 2009. Managed receivables comprise the receivables of approximately 195 clients at September 30, 2010. The 25 largest clients generated 54% of non-recourse volume in the current nine month period. Most of the clients' customers are large "big box", apparel, home furnishings and footwear retailers in Canada and the United States. At September 30, 2010, the 25 largest customers accounted for 52% of total managed receivables, of which the largest five customers comprised 33%.

The Company's portfolio, which comprises both gross Loans and managed receivables, totalled $295 million at September 30, 2010, 16% higher than the $255 million at September 30, 2009 and 19% above the $247 million at December 31, 2009.

Credit risk relating to the Company's recourse and non-recourse receivables and asset-based loans is managed in a variety of ways. This is discussed in note 15(a) to the Statements and in the MD&A included in the Company's 2009 Annual Report.

After a detailed review of the Company's $295 million portfolio at September 30, 2010, problem accounts were identified and provided for as necessary. The Company maintains separate allowances for credit and loan losses on both its Loans and its guarantee of managed receivables, at amounts, which, in management's judgment, are sufficient to cover potential losses thereon. The allowance for losses on Loans increased by $588,000 to $1,794,000 at September 30, 2010 compared to $1,206,000 at September 30, 2009. As set out in note 4 to the Statements, the allowance at September 30, 2010 and 2009 comprised only a general allowance and there were no specific allowances outstanding. The 49% increase in the general allowance for losses on Loans at September 30, 2010 compared to last September 30 resulted from a similar percentage rise in gross Loans. The allowance for losses on the guarantee of managed receivables comprised only a general allowance of $1,366,000 at September 30, 2010. This was 10% higher than the $1,245,000 general allowance at September 30, 2009 on a similar percentage rise in the Company's "at-risk" managed receivables. This allowance represents the fair value of

estimated payments to clients under the Company's guarantees to them. As these managed receivables are off-balance sheet, this allowance is included in the total of accounts payable and other liabilities. The estimates of both allowance for losses are judgmental. Management considers them to be adequate.

Assets held for sale totalled $3,514,000 at September 30, 2010 compared with $5,853,000 at September 30, 2009 and $4,997,000 at December 31, 2009. Assets held for sale comprise certain long-lived assets securing a defaulted loan upon which the Company foreclosed and obtained title in May 2009. As a result of the continued depressed nature of the U.S. real estate market and a lack of purchasing interest relating to the assets in particular, the Company reappraised the assets during the current quarter and determined that the net realizable value thereof had declined below their carrying value. The assets were written down to their net realizable value at September 30, 2010 and an impairment charge of $1,151,000 was taken in the quarter. An impairment charge of $1,265,000 was previously taken against the assets in the fourth quarter of 2009, while a charge-off of $1,127,000 was booked against the defaulted loan in the second quarter of 2009. In total, write-offs of $3,543,000 have been taken against the original impaired loan. The assets continue to be marketed for sale and will be sold as market conditions permit. Since taking title to the assets, the Company has disposed of small portions thereof for proceeds totalling $314,000. The decrease in assets held for sale since September 30, 2009 largely relates to the above noted impairment charges, along with subsequent dispositions. Please also refer to note 5 to the Statements.

Cash totalled $4,690,000 at September 30, 2010 compared with $2,300,000 at September 30, 2009 and $339,000 at December 31, 2009. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. However, due to the large volume of cash being processed daily, it is necessary that a certain amount of cash be held to fund daily requirements. Fluctuations in cash balances are normal.

Future income taxes were $1,133,000 at September 30, 2010 compared to $423,000 at September 30, 2009 and $576,000 at December 31, 2009. Future income taxes increased this year due to timing differences related to the deductibility for income tax purposes of the Company’s stock-based compensation expense and the charge for impairment of assets held for sale.

Changes in other assets, capital assets and goodwill compared to September 30, 2009 and December 31, 2009 were not significant.

Total liabilities at September 30, 2010 were $71,254,000 compared to $37,383,000 at September 30, 2009 and $54,582,000 at December 31, 2009. The increase largely relates to bank indebtedness. The Company’s liabilities are discussed below.

Bank indebtedness totalled $50,246,000 at September 30, 2010, 134% higher than the $21,505,000 at September 30, 2009 and 37% higher than the $36,798,000 at December 31, 2009. The $28,741,000 rise since last September 30 principally resulted from funding the increase in Funds Employed. The Company has approved credit lines with a number of banks totalling approximately $101 million at September 30, 2010 and was in compliance with all loan covenants thereunder at September 30, 2010. The Company’s major credit lines are typically renewed for a period of one or two years at a time as circumstances dictate. Bank indebtedness usually fluctuates with the quantum of Funds Employed. The Company has no term debt outstanding.

Amounts due to clients totalled $5,028,000 at September 30, 2010 compared to $2,476,000 at September 30, 2009 and $4,517,000 at December 31, 2009. Amounts due to clients principally consist of receivables collected and not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Accounts payable and other liabilities totalled $3,926,000 at September 30, 2010 compared to $2,826,000 at September 30, 2009 and $3,266,000 at December 31, 2009. The increase in accounts payable and other liabilities since last September 30 largely results from an increase in the Company’s accrued

profit sharing and SARs liabilities. As noted above, accounts payable and other liabilities include the allowance for losses on the guarantee of managed receivables.

Income taxes payable totalled $872,000 at September 30, 2010 compared to $44,000 at September 30, 2009 and income tax receivable of $285,000 at December 31, 2009. Higher income taxes were payable in respect of the Company's earnings for the current nine months, while 2010 income tax instalment payments are based on 2009's lower earnings. As a result, there were significant income taxes payable at September 30, 2010.

Notes payable increased to $10,093,000 at September 30, 2010 compared to $9,721,000 at September 30, 2009 and $9,254,000 at December 31, 2009 as a result of new notes issued, net of redemptions, and/or accrued interest. Please see Related Party Transactions section below.

Capital stock totalled $6,907,000 at September 30, 2010, $11,000 lower than the $6,918,000 at September 30, 2009 and just below the $6,908,000 at December 31, 2009. There were 9,407,271 common shares outstanding at September 30, 2010 compared with 9,422,371 a year earlier and 9,408,971 at December 31, 2009. Note 8 to the Statements provides details of changes in the Company's issued and outstanding common shares and capital stock. Note 8 also provides details of the Company's Normal Course Issuer Bids (collectively referred to as "Bid"). During the nine months ended September 30, 2010, the Company repurchased and cancelled 1,700 common shares acquired under the Bid. At the date of this MD&A, October 26, 2010, 9,407,271 common shares were outstanding.

Details of the Company's stock option and SARs plans are set out in note 10(e) and 10(f), respectively, to the Company's audited financial statements included in its 2009 Annual Report. During the current quarter, the remaining 42,000 options expired without being exercised and, at September 30, 2010, no options remain outstanding. Note 7 to the Statements provides details of the Company's SARs outstanding. At September 30, 2010, there were 305,000 SARs outstanding.

Retained earnings totalled $47,138,000 at September 30, 2010 compared to $43,851,000 at September 30, 2009 and $43,783,000 at December 31, 2009. In the first nine months of 2010, retained earnings increased by $3,355,000, which comprised net earnings of $5,292,000 less dividends paid of $1,929,000 (20.5 cents per common share) and the $8,000 premium paid on the shares repurchased under the Bid. In the first nine months of 2009, retained earnings increased by $308,000, which comprised net earnings of $2,484,000 less dividends paid of $1,838,000 (19.5 cents per common share) and the $338,000 premium paid on the 64,800 shares repurchased under the Bid. Please refer to the Consolidated Statements of Retained Earnings on page 16 of this report.

Accumulated other comprehensive loss comprises the unrealized foreign exchange loss arising on the translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary. The accumulated loss was $8,068,000 at September 30, 2010 compared to $6,765,000 at September 30, 2009 and $7,379,000 at December 31, 2009. Please refer to note 13 to the Statements. The $689,000 increase in loss position in 2010 resulted from the decrease in the value of the U.S. dollar against the Canadian dollar this year. The U.S. dollar declined against the Canadian dollar from $1.051 at December 31, 2009 to $1.029 at September 30, 2010. This decreased the Canadian dollar equivalent of the Company's net investment in its U.S. subsidiary of approximately US$33 million by $689,000.

Liquidity and Capital Resources

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

The Company manages its capital resources and makes

adjustments to them in light of changes in economic and market conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital resources, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay debt. Amongst other things, the Company monitors the ratio of its equity to total assets, principally Loans, and its debt to shareholders' equity. Expressed as a percentage, these ratios were as follows:

(as a percentage)	Sept. 30, 2010	Sept. 30, 2009	Dec. 31, 2009
Equity / Assets	39%	54%	44%
Debt* / Equity	131%	71%	106%

**bank indebtedness & notes payable*

At September 30, 2010, the level of the Company's leverage was higher than at September 30, 2009 and December 30, 2009. The rise in leverage, as shown by a lower equity to assets ratio and a higher debt to equity ratio, largely resulted from increased borrowings used to fund the rise in Loans. These ratios indicate the Company's continued financial strength and overall low degree of leverage.

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

The Company had credit lines totalling approximately $101 million at September 30, 2010 and had borrowed $50 million against these facilities. Funds generated through operating activities, notes payable and share issuances decrease the usage of, and dependence on, these lines.

As noted in the Review of Balance Sheet section above, the Company had cash of $4,690,000 as at September 30, 2010 compared to $2,300,000 as at September 30, 2009. As far as possible, cash on hand is usually maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Quarter ended September 30, 2010 compared with quarter ended September 30, 2009

Cash inflow from net earnings before changes in operating assets and liabilities totalled $2,664,000 in the third quarter of 2010 compared with $1,385,000 last year. After changes in operating assets and liabilities are taken into account, there was a net cash outflow from operating activities of $1,294,000 in the current quarter compared to a net cash inflow of $1,098,000 last year. The net cash outflow in the current quarter largely resulted from funding Loans of $6,263,000. In the third quarter of 2009, the net cash inflow largely resulted from $1,088,000 of Loan collections and net earnings. Changes in other operating assets and liabilities are set out in the Company's Consolidated Statements of Cash Flows on page 17 of this report.

Net cash inflow from financing activities totalled $2,806,000 in the current quarter compared to a net cash outflow of $1,636,000 last year. In the current quarter, bank indebtedness rose by $3,446,000, while notes payable, net of redemptions, of $68,000 were issued. Partly offsetting these cash inflows, were dividend payments of $706,000 (7.5 cents per common share) and the $2,000 cost of common shares repurchased under the Bid. In the third quarter of 2009 dividends of $612,000 (6.5 cents per common share) were paid, bank indebtedness of $544,000 was repaid, notes payable, net, of $342,000 redeemed and 23,000 common shares were repurchased under the Bid at a cost of $138,000.

Cash outflows from investing activities and the effect of exchange rate changes on cash were not significant during

the quarters ended September 30, 2010 and 2009.

Overall, there was a $1,459,000 increase in cash balances in the current quarter compared to a decrease of $979,000 in the third quarter of 2009.

Nine months ended September 30, 2010 compared with nine months ended September 30, 2009

Cash inflow from operating activities before changes in operating assets and liabilities totalled $6,895,000 in the first nine months of 2010 compared with $2,797,000 last year. After changes in operating assets and liabilities are taken into account, there was a net cash outflow from operating activities of $8,173,000 in the first nine months of 2010 compared to an inflow of $18,994,000 last year. The net cash outflow in the current nine months resulted from funding $17,275,000 of Loans. The net cash inflow in the first nine months of 2009 largely arose from Loan collections of $18,689,000. Changes in other operating assets and liabilities are set out in the Company's Consolidated Statements of Cash Flows on page 17 of this report.

Net cash inflow from financing activities totalled $12,582,000 in the first nine months of 2010 compared to a net cash outflow of $17,148,000 last year. The net cash inflow in the current nine month period resulted from bank borrowings of $13,671,000 and $850,000 received from the issue of notes payable, net. These inflows were partly offset by the payment of dividends totalling $1,929,000 (20.5 cents per common share) and the repurchase of 1,700 common shares acquired under the Bid at a cost of $10,000. The net cash outflow in the first nine months of 2009 resulted from a repayment of bank indebtedness of $13,962,000, payment of dividends totalling $1,838,000 (19.5 cents per common share), the redemption of $1,157,000 of notes payable, net, and the repurchase of 64,800 common shares under the Bid at a cost of $384,000. Partly offsetting these cash outflows was the issuance of 49,000 common shares for proceeds of $193,000.

Cash outflows from investing activities and the effect of exchange rate changes on cash were not significant in the nine months ended September 30, 2010 and 2009.

Overall, there was a $4,351,000 increase in cash balances in the first nine months of 2010 compared to $1,306,000 in the first nine months of 2009.

Contractual Obligations and Commitments at September 30, 2010

	Payments due in				
(in thousands)	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Operating lease obligations	$ 327	$ 418	$ 245	$ 172	$ 1,162
Purchase obligations	89	27	—	—	116
Total	$ 416	$ 445	$ 245	$ 172	$ 1,278

Related Party Transactions

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand and bear interest at the bank prime rate less one half of one percent per annum, which is below the rate of interest charged by the Company's banks. Notes payable at September 30, 2010 increased by $372,000 to $10,093,000 compared with $9,721,000 at September 30, 2009. Of these notes payable, $8,118,000 (2009 - $8,164,000) was owing to related parties and $1,975,000 (2009 - $1,557,000) to third parties. Interest expense on these notes in the current quarter and first nine months of 2010 totalled $58,000 (2009 - $43,000) and $146,000 (2009 - $146,000), respectively.

Financial Instruments

All financial assets, including derivatives, are measured at fair value on the consolidated balance sheet with the exception of Loans and other assets, which are recorded at amortized cost; as these are short term in nature their carrying values approximate fair values. Financial liabilities that are held for trading or are derivatives or guarantees are measured at fair value on the consolidated balance sheet. Non-trading financial liabilities, such as bank indebtedness and notes payable, are measured at amortized cost.

At September 30, 2010, the Company had an outstanding forward foreign exchange contract with a financial institution

that must be exercised between December 1, 2010 and December 31, 2010 and which obliges the Company to sell Canadian dollars and buy US$1,000,000 at an exchange rate of 1.0421. This contract was entered into on behalf of a client and a similar contract was entered into between the Company and the client thereby offsetting most risks to the Company. This contract is discussed further in note 12 to the Statements.

Critical Accounting Policies and Estimates

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

i) the allowance for credit and loan losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts, which, in management's judgment, are sufficient to cover potential losses thereon. The allowances are based upon several considerations including current economic trends, condition of the loan and receivable portfolios and typical industry loss experience. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency.

   The Company's allowances on its Loans and managed receivables may comprise specific and general components. A specific allowance may be established against Loans that are identified as impaired, or non-performing, when the Company determines, based on its review, identification and evaluation of problem Loans, that the timely collection of interest and principal payments is no longer assured and that the estimated net realizable value of the Company's loan collateral is below its book value. Similarly, a specific allowance may be established against managed receivables where a client's customer becomes insolvent and the Company's guarantee is called upon. In such cases, the Company will estimate the fair value of the required payments to the clients under their guarantees, net of any estimated recoveries expected from the insolvent customer's estate.

   A general allowance on both its Loans and managed receivables is established to reserve against losses that are estimated to have occurred but cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. In establishing its general allowances, the Company applies percentage formulae to its Loans and managed receivables. The formulae are reviewed for adequacy on an ongoing basis. The Company has always been prudent in establishing its general allowances such that they have normally been sufficient to absorb substantial charge-offs. Management believes that its allowances for losses are sufficient and appropriate. The Company's allowances are discussed above and are set out in note 4 to the Statements.

ii) the extent of any provisions required for outstanding claims. In the normal course of business there is outstanding litigation, the results of which are not normally expected to have a material effect upon the Company. However, the adverse resolution of a particular claim could have a material impact on the Company's financial results. Management is not aware of any claims currently outstanding upon which significant damages could result.

Future Changes in Accounting Policies

Transition to International Financial Reporting Standards

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its financial statements and will issue its financial results for the quarter ended March 31, 2011 prepared on an IFRS basis. The Company will also provide comparative financial information on an IFRS basis, including an opening balance sheet at

January 1, 2010. The Company commenced its IFRS transition project in 2008. This project comprises four key phases:

- Project awareness and engagement – this included identifying the members of the Company's IFRS transition team, and other representatives as required. Continued communication, training and education are essential to the success of this conversion project. In addition, this phase included communicating the key project requirements with timelines and objectives to the Company's senior management, Board of Directors and Audit Committee.

- Diagnostic – this phase included an assessment of the differences between current GAAP and IFRS, focusing on the areas which will have the most significant impact on the Company.

- Design, planning and solution development – this phase focused on determining the specific impacts on the Company based on the application of IFRS requirements. This included the development of detailed solutions and work plans to address implementation requirements. While only minor changes in accounting policies are currently anticipated, first-time adoption exemptions have been identified and draft statements and note disclosures are being developed.

- Implementation – this phase includes implementing the required changes necessary for IFRS compliance. The focus is on the finalization of the IFRS conversion plan, approval and implementation of accounting and tax policies, implementation and testing of any new processes, systems and controls, and calculation of opening IFRS balances.

A transition team is in place and is responsible for making recommendations to the Company's Audit Committee and Board of Directors and implementing IFRS. The Company has completed the design, planning and solution development stage by identifying the differences between GAAP and IFRS. The Company will start implementing IFRS shortly. Given the present IFRS framework applicable at this time, the Company has identified first time adoption exemptions applicable to the Company and the financial statement and note disclosures that are required. The Company is monitoring the IASB's active projects and all applicable changes to IFRS prior to January 1, 2011 will be implemented as required.

Based on the current information available, the Company has compared the accounting policies that it presently follows under GAAP with the proposed accounting policies under IFRS. At this point in time, only one minor change in current accounting policies is anticipated upon adoption of IFRS, although new International Accounting Standards ("IAS") may be introduced in future which may result in changes. This is discussed below. The Company is continuously monitoring information to determine or estimate the impact on its financial position and results of operations for the IFRS conversion changes identified. In particular, the Company will review new IAS that are introduced in the future to determine their impact on the Company.

The only change in accounting policy currently anticipated upon adoption of IFRS relates to the valuation of the Company's SARs liability. Under Canadian GAAP, the Company's SARs liability is measured based on their intrinsic value, while under IFRS it will be measured at fair value. The difference between the two valuation methods is not expected to be material to the Company.

Under IFRS 1, "First time adoption of International Financial Reporting Standards", the Company has a choice to elect to reset the cumulative translation adjustment component of its accumulated other comprehensive loss account to zero on the transition date with a corresponding entry to retained earnings. The Company intends to make this election. This account was in a $7,378,890 loss position at January 1, 2010 (see Consolidated Balance Sheet on page 15).

Since the Company does not anticipate any major changes in its accounting policies due to the changeover to IFRS, it does not anticipate any significant changes in the business processes

and information technology systems leading to the collection of information for the purpose of IFRS related reporting. Further, no changes in the Company's financial reporting obligations under contractual arrangements or financial covenants are anticipated. There will, however, certainly be changes in the financial statement presentation and note disclosure requirements as stipulated by IFRS.

The Company has prepared its opening transitional statement of financial position as of January 1, 2010 which is currently being audited by the Company's auditors. The Company does not envisage any significant change in its internal control over financial reporting and its disclosure controls and procedures as it does not anticipate any major changes in its accounting policies and business processes at this time. The Company's Board and Audit Committee have been regularly briefed about the progress made in transitioning to IFRS. IFRS skills and knowledge are being updated on a continuous and ongoing basis.

Risks and Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 15 to the Statements, which discusses the Company's financial risk management practices.

Competition

The Company operates in an intensely competitive environment and its results could be significantly affected by the activities of other industry participants. The Company expects competition to persist in the future as the markets for its services continue to develop and as additional companies enter its markets. There can be no assurance that the Company will be able to compete effectively with current and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to competing services, the Company would likely lose some clients or be forced to lower its rates, both of which could have a material adverse effect on the Company's business, operating results and financial condition. The Company will not, however, compromise its credit standards.

Economy

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

Credit risk

The Company is in the business of factoring its clients' receivables and making asset-based loans. The Company's portfolio totalled approximately $295 million at September 30, 2010. Operating results may be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 15(a) to the Statements.

Interest rate risk

The Company's agreements with its clients (revenue) and lenders (interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to some degree. However, as the Company's floating rate Loans substantially exceed its borrowings, the Company is exposed to some degree to interest rate fluctuations. Please refer to note 15(c)(ii) to the Statements.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources are held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and attempt to neutralize the impact of foreign exchange movements on its operating results where possible. In recent years, the Company has seen the weakening of the U.S. dollar against the Canadian dollar adversely affect its operating results when its U.S. subsidiary's results are translated into Canadian dollars. It has

also caused a significant decrease in the value of the Company's net Canadian dollar investment in its U.S. subsidiary, which has reduced the accumulated other comprehensive income or loss component of shareholders' equity to a large loss position. Please refer to notes 13 and 15(c)(i) to the Statements.

Potential acquisitions and investments

The Company seeks to acquire or invest in businesses that expand or complement its current business. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisitions or investments will generate additional earnings or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and its ability to manage growth.

Personnel significance

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

Outlook

The Company's principal objective is managed growth – putting quality new business on the books while maintaining high underwriting standards. Marketing initiatives and alliances continue. Funds Employed have risen to almost record levels and our profile is increasing as the credit and capital markets continue to remain depressed. Meanwhile, our non-recourse subsidiary is achieving record factoring volumes as international business and the demand for its credit guarantee services remains strong in the current economic climate. Record factoring volume has favorably impacted revenue and net earnings in the first nine months of 2010, although it is noted that low interest rates continue to have an adverse effect on revenue.

The quality of the Company's portfolio has steadily improved and non-earning loans are a smaller percentage of the Company's total portfolio than a year ago. As a result, charge-offs have declined. Many large industry players have had trouble securing funding and smaller finance companies are exiting the industry as a result of adverse economic and credit conditions, although others have successfully de-leveraged their balance sheets and are now beginning to be active in the marketplace again. Accord, with its substantial capital and borrowing capacity, is well positioned to capitalize on these market opportunities.

Through experienced management and staff, coupled with its financial resources, the Company is well positioned to meet increased competition and develop new opportunities. It continues to look to introduce new financial and credit services to fuel growth in a very competitive and challenging environment.

Stuart Adair
Vice President,
Chief Financial Officer
October 26, 2010

Consolidated Balance Sheets (unaudited)

	September 30 2010	September 30 2009	December 31 2009
			(Audited)
Assets			
Factored receivables and loans, net (note 4)	$ 106,296,503	$ 71,028,273	$ 89,906,633
Assets held for sale (note 5)	3,513,745	5,853,232	4,996,716
Cash	4,690,205	2,300,056	339,267
Income taxes receivable	—	—	284,886
Other assets	204,684	242,362	302,742
Future income taxes, net	1,132,878	423,089	576,375
Capital assets	447,663	553,630	520,129
Goodwill	989,586	1,029,689	1,010,744
	$ 117,275,264	$ 81,430,331	$ 97,937,492
Liabilities			
Bank indebtedness	$ 50,245,926	$ 21,505,272	$ 36,798,397
Due to clients	5,028,265	2,475,664	4,517,282
Accounts payable and other liabilities	3,926,886	2,826,412	3,266,477
Income taxes payable	872,420	44,349	—
Deferred income	1,088,539	810,080	746,273
Notes payable	10,092,797	9,721,312	9,253,501
	71,254,833	37,383,089	54,581,930
Shareholders' equity			
Capital stock (note 8(a))	6,907,237	6,918,299	6,908,481
Contributed surplus	42,840	42,840	42,840
Retained earnings	47,137,991	43,851,347	43,783,131
Accumulated other comprehensive loss (note 13)	(8,067,637)	(6,765,244)	(7,378,890)
	46,020,431	44,047,242	43,355,562
	$ 117,275,264	$ 81,430,331	$ 97,937,492
Common shares outstanding	9,407,271	9,422,371	9,408,971

Notice to Reader

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

Consolidated Statements of Earnings (unaudited)

Three and nine months ended September 30	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
Revenue				
Factoring commissions, discounts, interest and other income	$ 8,141,361	$ 5,663,933	$ 23,189,517	$ 17,412,184
Expense				
Interest	476,024	270,844	1,269,923	816,453
General and administrative	3,762,167	3,073,067	10,972,145	10,091,929
Provision for credit and loan losses	601,748	1,175,565	1,670,611	2,589,336
Impairment of assets held for sale	1,150,873	—	1,150,873	—
Depreciation	43,843	45,226	118,650	146,891
	6,034,655	4,564,702	15,182,202	13,644,609
Earnings before income tax expense	2,106,706	1,099,231	8,007,315	3,767,575
Income tax expense	737,000	390,000	2,715,000	1,284,000
Net earnings	$ 1,369,706	$ 709,231	$ 5,292,315	$ 2,483,575
Earnings per common share (note 9)				
Basic	$ 0.15	$ 0.08	$ 0.56	$ 0.26
Diluted	$ 0.15	$ 0.08	$ 0.56	$ 0.26
Weighted average number of common shares (note 9)				
Basic	9,407,348	9,427,823	9,408,388	9,421,466
Diluted	9,407,348	9,427,823	9,408,338	9,426,791

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

Three and nine months ended September 30	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
Net earnings	$ 1,369,706	$ 709,231	$ 5,292,315	$ 2,483,575
Other comprehensive (loss): unrealized foreign exchange (loss) on translation of self-sustaining foreign operation	(1,158,126)	(2,857,173)	(688,747)	(4,587,176)
Comprehensive income (loss)	$ 211,580	$ (2,147,942)	$ 4,603,568	$ (2,103,601)

Consolidated Statements of Retained Earnings (unaudited)

Nine months ended September 30	2010	2009
Retained earnings at January 1	$ 43,783,131	$ 43,543,490
Net earnings	5,292,315	2,483,575
Dividends paid	(1,928,727)	(1,837,532)
Premium on shares repurchased for cancellation (note 8(b))	(8,728)	(338,186)
Retained earnings at September 30	$ 47,137,991	$ 43,851,347

Consolidated Statements of Cash Flows (unaudited)

Three and nine months ended September 30	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
Cash provided by (used in)				
Operating activities				
Net earnings	$ 1,369,706	$ 709,231	$ 5,292,315	$ 2,483,575
Items not affecting cash				
Allowance for losses, net of charge-offs and recoveries	404,610	365,866	557,589	421,019
Impairment of assets held for sale	1,150,873	—	1,150,873	—
Deferred income	216,000	154,081	344,846	(2,559)
Depreciation	43,843	45,226	118,650	146,891
Future income tax (recovery) expense	(521,497)	110,147	(568,888)	(252,213)
	2,663,535	1,384,551	6,895,385	2,796,713
Changes in operating assets and liabilities				
Factored receivables and loans, gross	(6,263,127)	1,088,451	(17,274,910)	18,688,960
Due to clients	1,101,130	(1,647,459)	525,438	(2,037,656)
Income taxes payable/receivable	283,270	422,423	1,153,500	363,242
Other assets	261,308	(40,443)	95,137	(36,412)
Accounts payable and other liabilities	657,609	(109,351)	449,023	(780,769)
Additions to assets held for sale	—	—	(51,748)	—
Sale of assets held for sale	2,408	—	35,161	—
	(1,293,867)	1,098,172	(8,173,014)	18,994,078
Investing activities				
(Additions to) disposals of capital assets, net	(11,171)	4,947	(47,313)	(73,458)
Financing activities				
Bank indebtedness	3,445,871	(543,672)	13,670,723	(13,961,978)
Notes issued (redeemed), net	67,659	(341,674)	849,599	(1,157,291)
Issuance of shares	—	—	—	193,550
Repurchase and cancellation of shares	(1,827)	(138,460)	(9,972)	(384,403)
Dividends paid	(705,560)	(612,454)	(1,928,727)	(1,837,532)
	2,806,143	(1,636,260)	12,581,623	(17,147,654)
Effect of exchange rate changes on cash	(42,368)	(445,635)	(10,358)	(466,633)
Increase (decrease) in cash	1,458,737	(978,776)	4,350,938	1,306,333
Cash at beginning of period	3,231,468	3,278,832	339,267	993,723
Cash at end of period	$ 4,690,205	$ 2,300,056	$ 4,690,205	$ 2,300,056
Supplemental cash flow information				
Interest paid	$ 441,874	$ 222,176	$ 1,205,657	$ 677,229
Income taxes paid	$ 1,063,847	$ 286,004	$ 2,256,472	$ 1,619,119

Notes to Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2010 and 2009

1. Description of the business

Accord Financial Corp. (the "Company") is incorporated by way of Articles of Continuance under the Ontario Business Corporations Act and, through its subsidiaries, is engaged in providing asset-based financial services, including factoring, financing, credit investigation, guarantees and receivables collection to industrial and commercial enterprises, principally in Canada and the United States.

2. Basis of presentation

These interim unaudited consolidated financial statements (the "Statements") are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to interim financial statements, applied on a consistent basis. Accordingly, they do not include all of the information and footnotes required for compliance with GAAP in Canada for annual audited financial statements. These Statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2009. The accounting policies adopted for the preparation of these Statements are the same as those applied for the Company's audited financial statements for the fiscal year ended December 31, 2009.

The preparation of these Statements and the accompanying unaudited notes requires management to make estimates and assumptions that affect the amounts reported (see note 3(b)). In the opinion of management, these Statements reflect all adjustments necessary to fairly state the results for the periods presented. Actual amounts could vary from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

3. Significant accounting policies

a) *Basis of consolidation*

These financial statements consolidate the accounts of the Company and its wholly owned subsidiaries, namely, Accord Financial Ltd. ("AFL") and Accord Financial Inc. ("AFIC") in Canada and Accord Financial, Inc. ("AFIU") in the United States. Intercompany balances and transactions are eliminated upon consolidation.

b) *Accounting estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Estimates that are particularly judgmental relate to the determination of the allowance for losses relating to factored receivables and loans and to managed receivables (note 4). Management believes that both allowances for losses are adequate.

c) *Revenue recognition*

Revenue principally comprises factoring commissions from the Company's recourse and non-recourse factoring businesses. Factoring commissions are calculated as a discount percentage of the gross amount of the factored invoice. These commissions are recognized as revenue at the time of factoring. A portion of the revenue is deferred and recognized over the period when costs are being incurred in collecting the receivables. Additional factoring commissions are charged on a per diem basis if the invoice is not paid by the end of the initial discount period. Interest charges on loans are recognized as revenue on an accrual basis. Other revenue, such as due diligence and documentation fees, is recognized as revenue when earned.

d) *Allowances for losses*

The Company maintains a separate allowance for losses on both its factored receivables and loans and its guarantee of managed receivables. The Company maintains these allowances for losses at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic trends, condition of the loan and customer receivable portfolios and typical industry loss experience.

Credit losses on managed receivables are charged to the respective allowance for losses account when debtors are

known to be bankrupt or insolvent. Losses on factored receivables and loans are charged to the allowance for losses when collectibility becomes questionable and the underlying collateral is considered insufficient to secure the loan balance. Recoveries of previously written off accounts are credited to the respective allowance for losses account.

e) *Foreign subsidiary*

The assets and liabilities of the Company's self-sustaining foreign subsidiary are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenue and expenses are translated into Canadian dollars at the average monthly exchange rate then prevailing. Resulting translation gains and losses are credited or charged to other comprehensive income.

f) *Derivative financial instruments*

The Company records derivative financial instruments on its balance sheet at their respective fair values. Changes in the fair value of these instruments are reported in earnings unless all of the criteria for hedge accounting are met, in which case, changes in fair value would be recorded in other comprehensive income.

g) *Assets held for sale*

Assets acquired on realizing security on defaulted loans are held for sale and are stated at the lower of cost or net realizable value (fair value less costs of disposal).

4. Factored receivables and loans

(in thousands)	Sept. 30, 2010	Sept. 30, 2009	Dec. 31, 2009
Factored receivables	$ 91,762	$ 55,571	$ 73,833
Loans to clients	16,329	16,663	17,602
Factored receivables and loans, gross	108,091	72,234	91,435
Allowance for losses	1,794	1,206	1,528
Factored receivables and loans, net	$ 106,297	$ 71,028	$ 89,907

The Company's allowance for losses on its factored receivables and loans at the above dates comprised only a general allowance. No specific allowances were outstanding as charge-offs had been taken against all impaired loans at these dates.

The Company has also entered into agreements with clients whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At September 30, 2010, the gross amount of these managed receivables was $187,154,000 (2009 - $183,402,000). At that date, management provided an amount of $1,366,000 (2009 - $1,245,000) as a general allowance for losses on the guarantee of these managed receivables, which represented the estimated fair value of these guarantees. As these managed receivables are off-balance sheet, this allowance is included in the total of accounts payable and other liabilities.

The nature of the Company's business involves funding or assuming the credit risk on receivables offered to it by its clients. The Company controls the credit risk associated with its factored receivables and loans and managed receivables in a variety of ways. For details of the Company's policies and procedures in this regard, please refer to note 15(a).

5. Assets held for sale

During May 2009, the Company obtained title to certain long-lived assets securing a defaulted loan. The assets are recorded at their net realizable value as of September 30, 2010, which was based on a recent independent appraisal of, and unaccepted offers received for, the assets. The assets are currently being actively marketed for sale and will be sold as market conditions permit.

During the current quarter and nine months ended September 30, 2010, the Company determined that the net realizable value of the assets held for sale had declined below book value and an impairment charge of $1,150,873 (2009 - nil) was taken to write the assets down to their net realizable value at September 30, 2010. During the nine months ended September 30, 2009, the defaulted loan was written down by $1,127,000 to the net realizable value of the assets at the date title was obtained. The amount of this write-down was included in the provision for credit and loan losses. During the three and nine months ended September 30, 2010, assets held for sale totalling $969 (2009 - nil) and $241,302 (2009 - nil), respectively, were disposed of, while there was a $51,748 (2009 - nil) addition to the assets in the nine months ended September 30, 2010.

6. Income taxes

The Company provides for income taxes in its interim unaudited consolidated financial statements based on the estimated effective tax rate for the full fiscal year in those jurisdictions in which it operates.

7. Stock-based compensation

The Company accounts for stock-based compensation, including stock option and share appreciation rights ("SARs") grants, using fair value-based methods. The Company's stock option and SARs plans are discussed in more detail in notes 10(e) and 10(f), respectively, to its audited consolidated financial statements for the fiscal year ended Decembers 31, 2009 included in its 2009 Annual Report. The Company has not granted any stock options since May 2004 and on July 5, 2010 the remaining 42,000 outstanding options expired without exercise and no options currently remain outstanding. The following SARs were outstanding at September 30:

SARs grant price	Grant Date	2010	2009
$7.25	May 7, 2008	72,500	95,000
$6.03	July 28, 2009	77,500	100,000
$5.50	May 7, 2010	155,000	—
SARs outstanding		305,000	195,000
SARs vested		185,000	112,500

Changes in the value of outstanding SARs are calculated at the balance sheet date and recorded in general and administrative expenses ("G&A"), with corresponding entry to accounts payable and other liabilities. Stock-based compensation expense of $327,601 (2009 – nil) and $401,134 (2009 – nil), respectively, was recorded in G&A for the three and nine months ended September 30, 2010 in respect of the Company's SARs.

8. Capital stock

a) *Issued and outstanding*

The common shares issued and outstanding are as follows:

	2010 Number	2010 Amount
Balance at January 1	9,408,971	$ 6,908,481
Shares repurchased for cancellation	(1,700)	(1,244)
Balance at September 30	9,407,271	$ 6,907,237

	2009 Number	2009 Amount
Balance at January 1	9,438,171	$ 6,731,581
Issued on exercise of stock options	49,000	193,550
Shares repurchased for cancellation	(64,800)	(46,217)
Transfer from contributed surplus	—	39,385
Balance at September 30	9,422,371	$ 6,918,299

b) *Share repurchase program*

On August 5, 2009, the Company received approval from the TSX to commence a normal course issuer bid (the "2009 Bid") for up to 471,118 of its common shares at prevailing market prices on the TSX. The 2009 Bid commenced August 8, 2009 and terminated on August 7, 2010. Under the 2009 Bid, the Company repurchased and cancelled 15,100 shares at an average price of $5.32 per share for total consideration of $80,591. This amount was applied to reduce share capital by $11,063 and retained earnings by $69,528.

On August 5, 2010, the Company received approval from the TSX to commence a new normal course issuer bid (the "2010 Bid") for up to 470,373 of its common shares at prevailing market prices on the TSX. The 2010 Bid commenced on August 8, 2010 and will terminate on August 7, 2011 or the date on which a total of 470,373 common shares have been repurchased pursuant to its terms. All shares repurchased pursuant to the 2010 Bid will be cancelled. To September 30, 2010, no common shares had been repurchased under the 2010 Bid.

During the nine months ended September 30, 2010, the Company repurchased and cancelled 1,700 shares acquired under the 2009 Bid at an average price of $5.87 per common share for a total consideration of $9,972. This was applied to reduce share capital by $1,244 and retained earnings by $8,728. During the nine months ending September 30, 2009, the Company repurchased and cancelled 64,800 common shares acquired at an average price of $5.93 per common share for a total consideration of $384,403. This was applied to reduce share capital by $46,217 and retained earnings by $338,186.

9. Weighted average number of common shares outstanding

Basic earnings per common share have been calculated based on the weighted average number of common shares outstanding in the period without the inclusion of dilutive effects. Diluted earnings per common share are calculated based on the weighted average number of common shares plus dilutive common share equivalents outstanding in the period, which, in the Company's case, consist entirely of stock options. The following is a reconciliation of common shares used in the calculations:

Three months ended September 30	2010	2009
Basic weighted average number of common shares outstanding	9,407,348	9,427,823
Effect of dilutive stock options	—	—
Diluted weighted average number of common shares outstanding	9,407,348	9,427,823

Nine months ended September 30	2010	2009
Basic weighted average number of common shares outstanding	9,408,338	9,421,466
Effect of dilutive stock options	—	5,325
Diluted weighted average number of common shares outstanding	9,408,338	9,426,791

42,000 options with an excercise price of $7.25 were excluded from the calculation of diluted shares outstanding in the three and nine months ended September 30, 2010 and 2009 because they were anti-dilutive for earnings per common share purposes. These options expired without exercise on July 5, 2010.

10. Contingent liabilities

a) In the normal course of business there is outstanding litigation, the results of which are not expected to have a material effect upon the Company.

b) At September 30, 2010, the Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $1,614,480 (2009 - $954,172). These amounts have been considered in determining the allowance for losses on factored receivables and loans.

11. Segmented information

The Company operates and manages its businesses in one dominant industry segment – providing asset-based financial services to industrial and commercial enterprises, principally in Canada and the United States. There were no significant changes to capital assets and goodwill during the periods under review.

Three months ended September 30, 2010

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 65,402	$ 51,873	$ —	$117,275
Revenue	$ 5,256	$ 2,886	$ —	$ 8,142
Expenses				
Interest	370	106	—	476
General and administrative	2,920	842	—	3,762
Provision for credit and loan losses	571	31	—	602
Impairment of assets held for sale	—	1,151	—	1,151
Depreciation	39	5	—	44
	3,900	2,135	—	6,035
Earnings before income tax expense	1,356	751	—	2,107
Income tax expense	421	316	—	737
Net earnings	$ 935	$ 435	$ —	$ 1,370

Three months ended September 30, 2009

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 53,730	$ 35,219	$ (7,519)	$ 81,430
Revenue	$ 4,343	$ 1,345	$ (24)	$ 5,664
Expenses				
Interest	286	9	(24)	271
General and administrative	2,275	798	—	3,073
Provision for (recovery of) credit and loan losses	1,256	(80)	—	1,176
Depreciation	38	7	—	45
	3,855	734	(24)	4,565
Earnings before income tax expense	488	611	—	1,099
Income tax expense	166	224	—	390
Net earnings	$ 322	$ 387	$ —	$ 709

Nine months ended September 30, 2010

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 65,402	$ 51,873	$ —	$117,275
Revenue	$ 14,997	$ 8,193	$ —	$ 23,190
Expenses				
Interest	1,042	228	—	1,270
General and administrative	8,263	2,709	—	10,972
Provision for credit and loan losses	1,092	579	—	1,671
Impairment of assets held for sale	—	1,151	—	1,151
Depreciation	104	15	—	119
	10,501	4,682	—	15,183
Earnings before income tax expense	4,496	3,511	—	8,007
Income tax expense	1,401	1,314	—	2,715
Net earnings	$ 3,095	$ 2,197	$ —	$ 5,292

Nine months ended September 30, 2009

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 53,730	$ 35,219	$ (7,519)	$ 81,430
Revenue	$ 12,104	$ 5,333	$ (25)	$ 17,412
Expenses				
Interest	785	56	(25)	816
General and administrative	7,293	2,799	—	10,092
Provision for credit and loan losses	1,682	907	—	2,589
Depreciation	122	25	—	147
	9,882	3,787	(25)	13,644
Earnings before income tax expense	2,222	1,546	—	3,768
Income tax expense	719	565	—	1,284
Net earnings	$ 1,503	$ 981	$ —	$ 2,484

12. Derivative Financial instruments

The Company has entered into a forward foreign exchange contract with a financial institution which must be exercised by the Company between December 1, 2010 and December 31, 2010 and which obligates the Company to sell Canadian dollars and buy US$1,000,000 at an exchange rate of 1.0421. This contract was entered into by the Company on behalf of a client and a similar forward foreign exchange contract was entered into between the Company and the client, thereby offsetting most risks to the Company. The favorable and unfavorable fair values of this contract have been recorded on the Company's balance sheet in other assets and accounts payable and other liabilities, respectively. There has been no foreign exchange gain or loss to the Company as a result of entering into this contract.

As at September 30, 2009, the Company had entered into forward foreign exchange contracts with a financial institution that matured between October 1, 2009 and May 1, 2010 and obliged the Company to sell Canadian dollars and buy US$1,728,000 at exchange rates ranging from 1.064 to 1.119. The contracts were entered into by the Company on behalf of its clients and similar forward foreign exchange contracts were entered into between the Company and the clients, thereby offsetting most risks to the Company. The favorable and unfavorable fair values of these contracts were recorded on the Company's balance sheet in other assets and accounts payable and other liabilities, respectively. There was no foreign exchange gain or loss to the Company as a result of entering into these contracts.

13. Accumulated other comprehensive loss

Accumulated other comprehensive loss comprises the unrealized foreign exchange loss arising on translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary, which are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Movements in this balance during the first nine months of 2010 and 2009 were as follows:

Nine months ended September 30	2010	2009
Balance at January 1	$ (7,378,890)	$ (2,178,068)
Unrealized foreign exchange (loss) on translation of self-sustaining foreign operation	(688,747)	(4,587,176)
Balance at September 30	$ (8,067,637)	$ (6,765,244)

14. Fair values of financial assets and liabilities

Any financial assets or liabilities recorded at cost are short term in nature and, therefore, their carrying values approximate fair values.

15. Financial risk management

The Company is exposed to credit, liquidity and market risks related to the use of financial instruments in its operations. The Board of Directors ("Board") has overall responsibility for the establishment and oversight of the Company's risk management framework through its Audit and Risk Management Committees. The Company's risk management policies are established to identify, analyze, limit, control and monitor the risks faced by the Company. Risk management policies and systems are reviewed regularly to reflect changes in the risk environment faced by the Company.

a) *Credit risk*

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. In the Company's case, credit risk arises with respect to its factored receivables and loans to and other financial transactions with clients, its managed receivables and any other counterparty the Company deals with. The carrying amount of these factored receivables and loans and managed receivables represents the Company's maximum credit exposure and is the most significant measurable risk that it faces. The nature of the Company's factoring and asset-based lending business involves funding or assuming credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. Typically, the Company takes title to the factored receivables and collateral security over the other assets that it lends against and does not lend on an unsecured basis. It does not take title to the managed receivables as it does not lend against them, but it assumes the credit risk from the client in respect of these receivables.

Credit facilities are approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of facilities in excess of $1.0 million, by the Company's President and the Chairman of its Board. Amounts in excess of $2.5 million are also approved by the Company's Credit Committee, which comprises three members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has in place procedures for evaluating and limiting the credit risks to which it is subject. Credit facilities are subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. The Company's

primary focus continues to be on the credit worthiness and collectibility of its clients' receivables, as well as valuation of other collateral security.

Monitoring and communicating with our clients' customers is measured by, amongst other things, an analysis which indicates the amount of receivables current and past due. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. Of the total managed receivables for which the Company guarantees payment, 3% (2009 – 3%) were past due more than 60 days at September 30, 2010. In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

The Company employs a client rating system to assess credit risk in its recourse factoring business, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, principally its clients' receivables, while in its non-recourse factoring business it employs a customer credit scoring system to assess the credit risk associated with those client receivables that it guarantees (namely, the managed receivables). Credit risk is primarily managed by ensuring that the receivables factored are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. The Company assesses the financial strength of its clients' customers on a regular and ongoing basis. For a factoring company, the financial strength of its clients' customers is just as important as the financial strength of the clients themselves. The Company also minimizes credit risk by limiting to $10,000,000 the maximum amount it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, and charging back or making receivables ineligible for lending purposes as they become older. The Company will also confirm the validity of the receivables that it purchases. In its non-recourse business, exposure to certain customers upon which credit guarantees have been granted may exceed $10 million. All customer credit in excess of $2.5 million is also approved by the Company's Credit Committee. At September 30, 2010, the Company had guaranteed accounts receivable in excess of $10 million in respect of two customers.

The following table summarizes the Company's credit exposure relating to its factored receivables and loans by industrial sector at September 30, 2010.

Industrial Sector (in thousands)	Gross factored receivables and loans	% of total
Manufacturing	$ 47,865	44
Wholesale and distribution	23,778	22
Financial and professional services	21,115	20
Transportation	6,573	6
Other	8,760	8
	$ 108,091	100

The following table summarizes the Company's credit exposure relating to its managed receivables by industrial sector at September 30, 2010.

Industrial Sector (in thousands)	Managed receivables	% of total
Retail	$ 177,007	95
Other	10,147	5
	$ 187,154	100

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

b) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, notes payable, due to clients, and accounts payable and other liabilities. Revolving credit lines totaling approximately $101 million have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. At September 30, 2010, the Company had

borrowed $50 million (2009 - $22 million) against these facilities. These lines of credit are collateralized primarily by factored receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit as at September 30, 2010 and 2009. Notes payable are due on demand and due to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. As at September 30, 2010, 80% of these notes were due to related parties and 20% to third parties. Due to clients principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a week of receipt. Accounts payable and other liabilities comprise a number of different obligations the majority of which are payable within six months.

The Company had gross factored receivables and loans totalling $108 million at September 30, 2010, which substantially exceeded its total liabilities of $71 million at that date. The Company's factored receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

c) *Market risk*

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

i) *Currency risk*

The Company is exposed to currency risk primarily in its self-sustaining U.S. subsidiary, which operates exclusively in U.S. dollars, to the full extent of the U.S. subsidiary's net assets of US$33 million at September 30, 2010. The Company's investment in its U.S. subsidiary is not hedged as it is long-term in nature. Unrealized foreign exchange gains or losses arise on translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary into Canadian dollars at balance sheet date. Resulting foreign exchange gains or losses are credited or charged to other comprehensive income or loss with a corresponding entry to the accumulated other comprehensive income or loss component of shareholders' equity (see note 13). The Company is also subject to foreign currency risk on the earnings of its U.S. subsidiary, which are unhedged. Based on the U.S. subsidiary's results for the nine months ended September 30, 2010, a one cent change in the U.S. dollar against the Canadian dollar would change the Company's annual net earnings by approximately $30,000. It would also change other comprehensive income or loss and the accumulated other comprehensive income or loss component of shareholders' equity by approximately $330,000.

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally factored receivables and loans, cash, bank indebtedness and due to clients. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time-to-time to hedge its currency risk when there is no economic hedge. At September 30, 2010, the Company's unhedged foreign currency positions in its Canadian operations totalled $169,000 (2009 - $426,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis when necessary to address short-term imbalances. The impact of a one percent change in the value of the Canadian dollar on its unhedged foreign currency position would not have a material impact on the Company's net earnings.

ii) *Interest rate risk*

Interest rate risk pertains to the risk of loss due to the volatility of interest rates. The Company's lending and borrowing rates are usually based on bank prime rates of interest or LIBOR and are typically variable. The Company actively manages its interest rate exposure where possible.

The Company's agreements with its clients (impacting interest revenue) and lenders (impacting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to a large degree. However, as the Company's factored receivables and loans substantially exceed its borrowings, the Company is exposed to interest rate risk as a result of the difference, or gap, between interest sensitive assets and liabilities. This gap largely exists because of, and fluctuates with, the quantum of the Company's shareholders' equity.

The following table summarizes the interest rate sensitivity gap at September 30, 2010.

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	Non-rate sensitive	Total
Assets					
Factored receivables and loans, net	$102,597	$ 11	$ 2,566	$ 1,122	$106,296
Assets held for sale	—	—	—	3,514	3,514
Cash	2,354	—	—	2,336	4,690
All other assets	—	—	—	2,775	2,775
	104,951	11	2,566	9,747	117,275
Liabilities					
Bank indebtedness	35,017	15,229	—	—	50,246
Due to clients	—	—	—	5,028	5,028
Notes payable	10,093	—	—	—	10,093
All other liabilities	—	—	—	5,888	5,888
Shareholders' equity	—	—	—	46,020	46,020
	45,110	15,229	—	56,936	117,275
	$ 59,841	$(15,218)	2,566	$(47,189)	$ —

Based on the Company's interest rate positions as at September 30, 2010, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $290,000 over a one year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

16. Capital disclosures

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt. The Company monitors the ratio of its equity to total assets, principally factored receivables and loans, and its debt to shareholders' equity. As a percentage, the ratios totalled 39% (2009 - 54%) and 131% (2009 - 71%), respectively, at September 30, 2010 indicating the Company's continued financial strength and overall low degree of leverage. The Company's debt, and leverage, will usually rise with an increase in factored receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at September 30, 2010, AFIC is required to maintain a debt to TNW ratio of less than 4.0, while AFIU is required to maintain a minimum TNW of US$18 million and a ratio of total liabilities to TNW of less than 3.0. The Company was fully compliant with its banking covenants at September 30, 2010 and 2009. There were no changes in the Company's approach to capital management from the previous year.

17. International financial reporting standards ("IFRS")

The CICA will transition financial reporting for Canadian public entities to IFRS effective for fiscal years beginning on or after January 1, 2011. The impact of the transition on the Company's consolidated financial statements has largely been determined. The Company has completed the diagnostic assessment phase by identifying the differences between GAAP and IFRS and will start implementation shortly. Given the present IFRS framework applicable at this time, the Company has identified first time adoption exemptions applicable to the Company and the financial statement and note disclosures that are required. Based on the current information available, while no material changes in the Company's accounting policies or business processes are anticipated, one minor change relating to the measurement of the Company's SARs liability when transitioning to IFRS is expected. However, the Company will review new International Accounting Standards that are introduced in the future to determine if they have any impact on the Company. The Company has prepared its statement of financial position based on IFRS as of January 1, 2010. This statement of financial position is in the process of being audited by the Company's auditors.

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