First Quarter Report • March 31, 2016

Distinctive Dependable Driven

Accord Financial

Keeping Business Liquid

Distinctive Dependable Driven

Accord Financial Corp. is one of North America's leading independent finance companies providing distinctive working capital solutions to companies from coast to coast. Whether our clients are shifting into growth mode, or restructuring and rebuilding, Accord is there keeping business liquid.

Our versatile finance programs cover the full spectrum of asset-based lending, from factoring and inventory finance, to equipment leasing and trade finance, as well as providing small businesses with unsecured working capital loans. While our programs are fashioned to the needs of each client, our goal remains the same: to allow our clients to transform their accounts receivable, inventory and equipment into valuable working capital, which fuels their next phase of growth.

Accord's nearly forty years of experience allows us to serve a broad base of the continent's most dynamic industries with confidence. And our exceptional financial strength makes us the lender of choice for private equity partners, finance professionals and their client companies looking to seize opportunity and drive success.

Table of Contents

Accord in Action
Keeping Business Liquid

"Groupe JS International has been in business for more than 40 years. Over the last year and a half we have been financed by Accord Financial, and through the toughest times, Accord has shown the understanding, patience and support that separates them from their competitors. We are forever grateful to the team of professionals at Accord for their support and their understanding of the fashion business. And beyond their attention to financial detail, is their ability to take a personal stake in the day-to-day intricacies of our business. I would describe Accord Financial as being in the Relationship Business more than just the Banking Business."

~ **Mitchell Hops,** President,
Groupe JS International Apparel Manufacturer

"From the onset, our relationship with Accord Financial and its team of professionals has been nothing but the best. Accord was there for us, at a time when we were in need of a solid and robust source of debt capital. Today, and almost three years later, we continue to enjoy the same level of service that Accord and its team has always and consistently been able to deliver to us."

~ **Mayco Quiroz**, Chief Financial Officer
IOU Financial Inc.
Small Business Loan Provider

"Javo Beverage is a long-term client of Accord Financial and in the last 18 months we have experienced significant new business growth. In a true partnership fashion, they have been at our side throughout, responding quickly and creatively to assist us in funding the needs of our growing business. Everyone at Accord is professional, true to their word, and very importantly you can tell they care about our business and its success. They are great people to work with."

~ **Gerry Anderson**, Chief Financial Officer
Javo Beverage Company

"TAG Financial Services needed a strong senior lender that would give us the opportunity to grow our business. Since closing a line of credit with Accord Financial they have been very flexible and understanding of our needs on a daily basis. They are a true partner helping us reach our short- and long-term growth goals."

~ **Wayne S Daniel**, President
TAG Financial Services Inc.

"For nearly ten years B-Town Group has sourced and delivered quality natural stone to customers on both sides of the Great Lakes. Accord began financing select pieces of equipment in 2010, but it's the broad range of financing options that have made Accord my go-to company for all our financing needs. We added an AccordOctet supply-chain facility last year to pay royalties as we expanded our sourcing to a fourth quarry. And we recently took advantage of AccordAccess for short-term working capital, which helped us finance a large, profitable order from a provincial government entity. With Accord Financial as our partner, our sales have tripled in the last three years."

~ **Bill Sisson**, Owner
B-Town Group

Message from the President and CEO

Tom Henderson

Enclosed are the financial statements, as well as Management's Discussion and Analysis, for the first quarter ended March 31, 2016 together with comparative figures for the same period of 2015. These financial statements have not been reviewed by the Company's auditors, but have been reviewed and approved by its Audit Committee and Board of Directors.

Net earnings in the first quarter of 2016 were $1,465,000 compared with $1,705,000 last year. Net earnings decreased mainly as a result of lower revenue. Earnings per share were 18 cents compared to 21 cents last year.

Adjusted net earnings, which comprise net earnings before non-operating stock-based compensation and business acquisition expenses, were $1,591,000, 15% lower than the $1,865,000 earned in the first quarter of 2015. Adjusted EPS, based on adjusted net earnings, were 19 cents compared to 22 cents last year.

Revenue in the first quarter of 2016 declined to $6,871,000 from $7,559,000 in 2015 mainly as a result of lower fees earned from receivables management and somewhat lower yields. Average funds employed in the quarter totalled $142 million, the same as last year. However, we ended the quarter with net funds employed of $143 million compared with $157 million a year ago. Although there was a small increase in the provision for credit and loan losses, overhead expenses, overall, fell to $5,301,000 in 2016 from $5,531,000 in 2015.

Equity was just above $71 million at March 31, 2016 compared to $65 million a year ago. Book value per share at March 31, 2016 was $8.61 versus $7.83 at March 31, 2015.

We came away from the first quarter with mixed feelings; revenue and earnings were down. We pride ourselves with the knowledge that our selection process for new clients and ongoing underwriting are first class. In the five year span, 2011 to 2015 inclusive, our provision for losses were a mere 1.8% of revenue. The downside of this strict selection and monitoring process is the fact that a significant number of our clients succeed in their endeavors, and qualify for bank financing or sell their businesses. We refer to these as "graduations". Obviously, we prefer these type of clients to the ones who, try as they might, fail to achieve success, and become ex-clients in another way! We did well enough in selecting and monitoring that we had higher-than-normal "graduations" in the last six months and we already know that there will be more in the second quarter. However, our "pipeline" of new business at the end of the first quarter was strong. As I mentioned above, we had mixed feelings, noting the decline in revenue and earnings in the first quarter, but we look forward to higher activity for the balance of the year.

At a recent Board of Directors meeting, a regular quarterly dividend of 9 cents per common share was declared payable June 1, 2016 to shareholders of record May 16, 2016.

Sincerely,

Tom Henderson
President and Chief Executive Officer
May 4, 2016

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

Quarter ended March 31, 2016 compared with quarter ended March 31, 2015

Overview

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter ended March 31, 2016 compared with the quarter ended March 31, 2015 and, where presented, the quarter ended March 31, 2014. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A, which has been prepared as at May 4, 2016, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarters ended March 31, 2016 and 2015, which are included as part of this 2016 First Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2015 audited consolidated financial statements and notes thereto included in the Company's 2015 Annual Report.

All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Please refer to the Critical Accounting Policies and Estimates section below and note 2 and 3 to the Statements regarding the Company's use of accounting estimates in the preparation of its financial statements in accordance with IFRS. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

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

Non-IFRS Financial Measures

In addition to the IFRS prepared results and balances presented in the Statements and notes thereto, the Company uses a number of other financial measures to monitor its performance and some of these are presented in this MD&A. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using them and are, therefore, considered to be non-IFRS measures. The Company primarily derives these measures from amounts presented in its Statements, which were prepared in accordance with IFRS. The Company's focus continues to be on IFRS measures and any other information presented herein is purely supplemental to help the reader better understand the key performance indicators used in monitoring its operating performance and financial position. The non-IFRS measures presented in this MD&A are defined as follows:

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

ii) Adjusted net earnings, adjusted earnings per common share and adjusted ROE – adjusted net earnings presents net earnings before stock-based compensation, business acquisition expenses (namely, business transaction and integration costs and amortization of intangibles) and withholding tax paid on cross-border dividends from the Company's U.S. subsidiary to it. The Company considers these items to be non-operating expenses. Management

Stuart Adair

believes adjusted net earnings is a more appropriate measure of operating performance than net earnings as it excludes items which do not directly relate to ongoing operating activities. Adjusted (basic and diluted) earnings per common share is adjusted net earnings divided by the (basic and diluted) weighted average number of common shares outstanding in the period, while adjusted ROE is adjusted net earnings for the period expressed as a percentage of average equity employed in the period (presented as an annualized percentage);

iii) 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 equity. Book value per share is the net asset value divided by the number of common shares outstanding as of a particular date;

iv) Financial condition and leverage ratios – (a) equity expressed as a percentage of total assets; and (b) debt (bank indebtedness and notes payable) expressed as a percentage of equity. These percentages provide information on trends in the Company's financial position and leverage.

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

Accord's Business

Accord is a leading North American provider of asset-based financial services to businesses, namely, asset-based lending ("ABL"), including factoring, lease financing, working capital financing, credit protection and receivables management, and supply chain financing for importers. The Company's financial services are discussed in more detail in its 2015 Annual Report. Its clients operate in a wide variety of industries, examples of which are set out in note 17(a) to the Statements.

The Company founded in 1978 operates four finance companies in North America, namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Varion Capital Corp. ("Varion") (now doing business as Accord Equipment Finance ("AEF")) in Canada, and Accord Financial, Inc. ("AFIU") in the United States.

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

Results of Operations

Quarter ended March 31, 2016 compared with quarter ended March 31, 2015

Net earnings for the quarter ended March 31, 2016 decreased by $240,000 or 14% to $1,465,000 compared to the $1,705,000 earned in the first quarter of 2015. They were 84% above 2014's first quarter net earnings of $797,000. Net earnings mainly decreased compared to 2015 on lower revenue, while net earnings increased compared to 2014 on higher revenue and a lower income tax expense.

Earnings per common share were 18 cents, 14% lower than the 21 cents earned in the first quarter of 2015. They were 80% higher than the 10 cents earned in the first quarter of 2014. ROE in the

Quarterly Financial Information

(unaudited, in thousands except earnings per share)

Quarter ended		Revenue	Net Earnings	Basic and Diluted Earnings Per Common Share
2016	**March 31**	**$ 6,871**	**$ 1,465**	**$ 0.18**
2015	December 31	$ 7,840	$ 2,794	$ 0.34
	September 30	8,521	2,524	0.30
	June 30	7,657	1,736	0.21
	March 31	7,559	1,705	0.21
Fiscal 2015		$ 31,577	$ 8,759	$ 1.05*
2014	December 31	$ 7,925	$ 2,370	$ 0.29
	September 30	8,165	2,176	0.26
	June 30	7,529	1,537	0.18
	March 31	6,616	797	0.10
Fiscal 2014		$ 30,235	$ 6,879*	$ 0.83

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

current quarter was 8.2% compared to 10.8% last year and 5.8% in the first quarter of 2014.

Adjusted net earnings totalled $1,591,000, 15% lower than the $1,865,000 earned in the first quarter of 2015 but 29% higher than the $1,235,000 earned in the first quarter of 2014. Adjusted EPS were 19 cents compared to the 22 cents earned in the first quarter of 2014 and the 15 cents earned in 2014.

The following table provides a reconciliation of net earnings to adjusted net earnings:

Quarter ended March 31 (in thousands)	2016	2015
Net earnings	**$ 1,465**	$ 1,705
Adjustments, net of tax:		
Stock-based compensation recovery	**32**	54
Business acquisition expenses	**94**	106
Adjusted net earnings	**$ 1,591**	$ 1,865

Revenue in the current quarter totalled $6,871,000, 9% lower than the $7,559,000 last year but 4% higher compared with $6,616,000 in the first quarter of 2014. Revenue decreased compared to 2015 mainly as a result of lower receivables management fees and somewhat lower yields, while it increased compared to 2014 mainly as a result of higher gross finance receivables and loans and a stronger U.S. dollar. Average funds employed in the first quarter of 2016 were $142 million, the same as in 2015, while they were $130 million in the first quarter of 2014. Funds employed at March 31, 2016 were $144 million compared to $159 million and $137 million at March 31, 2015 and 2014, respectively.

Total expenses for the first quarter of 2016 decreased by $230,000 to $5,301,000 compared to $5,531,000 last year. General and administrative expenses ("G&A") decreased by $259,000, the amortization of intangible assets declined by $17,000 and interest expense was $10,000 lower. The provision for credit and loan losses increased by $56,000. Depreciation remained unchanged.

Interest expense declined by 2% to $501,000 in the first quarter of 2016 compared to $511,000 last year as a result of 13% lower average borrowings, the impact of which was largely offset by higher U.S. dollar borrowing rates.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, management fees, professional fees, data processing, travel, telephone and general overheads. G&A decreased by 6% to $4,104,000 in the current quarter compared to $4,363,000 last year mainly as a result of lower personnel costs. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses increased by 12% to $535,000 in the first quarter of 2016 compared to $479,000 last year as a result of net higher charge-offs. The provision for the first quarter of 2016 and 2015 comprised:

Quarter ended March 31 (in thousands)	2016	2015
Net charge-offs	**$ 450**	$ 366
Reserves expense related to increase in total allowances for losses	**85**	113
	$ 535	$ 479

Net charge-offs increased by $84,000 or 23% to $450,000 in the current quarter compared to $366,000 last year, while the reserves expense declined by $28,000 to $85,000. The Company's allowances for losses are discussed in detail below. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies.

Business acquisition expenses solely comprised the amortization of intangible assets acquired as part of the Varion acquisition on January 31, 2014. These totalled $127,000 in the current quarter compared to $144,000 in the first quarter of 2015.

Income tax expense decreased by 67% to $105,000 in the current quarter compared to $323,000 in the first quarter of 2015 as a result of lower pre-tax income and a decline in the Company's effective tax rate. The Company's effective corporate income tax rate decreased to 6.7% in the first quarter of 2016 compared to 15.9% last year.

Canadian operations reported a 24% decrease in net earnings in the first quarter of 2016 compared to 2015 (see note 16 to the Statements). Net earnings declined by $151,000 to $476,000 mainly due to lower revenue. Revenue declined by 10% or $514,000 to $4,446,000 on lower receivables management fees and funds employed. Expenses decreased by $313,000 to $3,782,000. G&A declined by $392,000 to $2,738,000, while business acquisition expenses (amortization of intangible assets) were $17,000 lower. The provision for credit and loan losses rose by $94,000 to $382,000, while interest expense and depreciation both increased by $1,000. Income tax expense decreased by 21% to $188,000 on a 23% decline in pre-tax earnings.

U.S. operations reported an 8% decrease in net earnings in the first quarter of 2016 compared to 2015. Net earnings declined by $89,000 to $989,000 on lower revenue and higher G&A expenses. Revenue decreased by $163,000 or 6% to $2,455,000. Expenses increased by $94,000 to $1,549,000. G&A rose by $133,000 to $1,366,000. The provision for losses was lower by $38,000, while depreciation was slightly lower at $11,000. Interest expense remained unchanged at $19,000. Income tax expense declined by $168,000 to a recovery of $83,000.

Review of Financial Position

Equity at March 31, 2016 was $71,497,000, $1,569,000 below the $73,066,000 at December 31, 2015 but $6,448,000 higher than the $65,049,000 at March 31, 2015. Book value per common share was $8.61 at March 31, 2016 compared to $8.79 at December 31, 2015 and $7.83 a year earlier. The decrease in equity since December 31, 2015 mainly resulted from a $2,311,000 reduction in the accumulated other comprehensive income ("AOCI") balance. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 15 of this report.

Total assets were $158,331,000 at March 31, 2016 compared to $154,560,000 at December 31, 2015 and $170,179,000 at March 31, 2015. Total assets largely comprised Loans. Excluding inter-company balances, identifiable assets located in the United States were 43% of total assets at March 31, 2016 compared to 50% at December 31, 2015 and 39% at March 31, 2015.

Loans, before the allowance for losses thereon, totalled $144,483,000 at March 31, 2016, 6% above the $135,907,000 at December 31, 2015 but 9% lower than the $159,004,000 at March 31, 2015. As detailed in note 4, the Company's Loans comprised:

(in thousands)	**Mar. 31, 2016**	Dec. 31, 2015	Mar. 31, 2015
Factored receivables	**$ 86,946**	$ 77,249	$ 100,306
Loans to clients	**51,568**	52,524	52,655
Lease receivables	**5,969**	6,134	6,043
Finance receivables and loans	**144,483**	135,907	159,004
Less allowance for losses	**1,686**	1,648	1,897
Finance receivables and loans, net	**$ 142,797**	$ 134,259	$ 157,107

The Company's factored receivables rose 13% to $86,946,000 at March 31, 2016 compared to $77,249,000 at December 31, 2015 but were 13% lower than the $100,306,000 at March 31, 2015. Loans to clients, which comprise advances against non-receivable assets such as inventory and equipment and unsecured working capital loans, declined by 2% to $51,568,000 at March 31, 2016 compared to $52,524,000 at December 31, 2015 and $52,655,000 last March 31. Lease receivables, representing AEF's net investment in equipment leases, declined by 3% to $5,969,000 at March 31, 2016 compared to $6,134,000 at December 31, 2015 and were 1% lower than the $6,043,000 at March 31, 2015. Net of the allowance for losses thereon, Loans increased 6% to $142,797,000 at March 31, 2016 compared to $134,259,000 at December 31, 2015 but were 9% lower than the $157,107,000 at March 31, 2015. The Company's Loans represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 80 clients in a wide variety of industries at March 31, 2016, as well as AEF's lease receivables and equipment and other related loans to approximately 520 clients. Four clients each comprised over 5% of total Loans at March 31, 2016, of which the largest client comprised 6%.

In its credit protection and receivables management business, the Company contracts with clients to assume the credit risk associated with respect to their receivables usually without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These managed receivables totalled $80 million at March 31, 2016 compared to $70 million at December 31, 2015 and $86 million at March 31, 2015. Managed receivables comprise the receivables of approximately 100 clients at March 31, 2016. The 25 largest clients comprised 79% of non-recourse volume in the first quarter of 2016. Most of the clients' customers upon which the Company assumes the credit risk are "big box", apparel, home furnishings and footwear retailers in Canada and the United States. At March 31, 2016, the 25 largest customers accounted for 45% of the total managed receivables, of which the largest five comprised 26%. The Company monitors the retail industry and the credit risk related to its managed receivables very closely. The managed receivables are regularly reviewed and continue to be well rated.

The Company's total portfolio, which comprises both Loans, as set out above, and managed receivables increased by 9% to $225 million at March 31, 2016 compared to $206 million at December 31, 2015 but were 8% lower than the $245 million at March 31, 2015.

As described in note 17(a) to the Statements, the Company's business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's asset-based lending, including leasing, and credit protection business is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1.0 million, the Company's President and the Chairman of its Board. Credit in excess of $2.5 million is approved by the Company's Credit Committee, which comprises three independent members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

In its asset-based lending operations, the Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. AEF's lease receivables and equipment and working capital loans are term loans with payments usually spread out evenly over the term of the lease or loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, 1.4% were past due more than 60 days at March 31, 2016. In the Company's asset-based lending business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on such older receivables.

The Company employs a client rating system to assess credit risk in its asset-based lending and leasing businesses, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, while in its credit protection business it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. In its asset-based lending operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. The financial strength of its clients' customers is often more important than the financial strength of the clients themselves.

The Company also minimizes credit risk by limiting the maximum amount it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables and applying concentration limits, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases. In its asset-based lending operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's leasing operations, security deposits are obtained in respect of each equipment lease or loan. In its credit protection business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. As noted above, all customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. Note 17(a) to the Statements provides details of the Company's credit exposure by industrial sector.

After the customary detailed quarter-end review of the Company's portfolio by its Risk Management Committee, it was determined that all problem loans and accounts were identified and provided for. 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 losses thereon. The allowance for losses on Loans increased by 2% to $1,686,000 at March 31, 2016 compared to $1,648,000 at December 31, 2015 on a 6% rise in Loans in the first quarter. The allowance was 11% lower than the $1,897,000 at March 31, 2015 on a 9% decline in Loans. The allowance for losses on the guarantee of managed receivables increased by 11% to $185,000 at March 31, 2016 compared to $166,000 at December 31, 2015 but was 9% lower than the $203,000 at March 31, 2015. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. The allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in the allowance for losses accounts for the first quarter of 2016 and 2015 is set out in note 4 to the Statements. The estimates of both allowances for losses are judgmental. Management considers them to be reasonable and appropriate.

Cash declined to $7,887,000 at March 31, 2016 compared with $12,440,000 at December 31, 2015 but was higher than the $2,995,000 at March 31, 2015. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Assets held for sale, which comprise certain assets securing defaulted loans that the Company obtained title to or repossessed, are stated at their estimated net realizable value and totalled $1,491,000 at March 31, 2016 compared to $1,544,000 at December 31, 2015 and $1,388,000 last March 31. Please refer to note 5 to the statements for details of changes to the assets held for sale balance during the first quarter of 2016 and 2015. During the first quarter of 2016, the Company sold certain assets held for sale with a book value of $76,000 for $61,000 resulting in a loss on sale of $15,000. The Company also obtained title to certain equipment securing defaulted loans with an estimated net realizable value of $23,000. During the first quarter of 2015, the Company sold certain assets held for sale with a book value of $880,000 for $888,000 resulting in a gain on sale of $8,000. The Company also obtained title to certain equipment securing defaulted loans with an estimated net realizable value of $35,000. The estimated net realizable value of the assets at March 31, 2016 and 2015 and December 31, 2015 was based upon appraisals of these assets.

Intangible assets were acquired as part of the Varion acquisition on January 31, 2014 and comprise existing customer contracts and broker relationships. Intangible assets, net of accumulated amortization, totalled $1,369,000 at March 31, 2016 compared to $1,496,000 at December 31, 2015 and $1,928,000 at March 31, 2015. Please refer to note 6 to the Statements.

Goodwill totalled $3,131,000 at March 31, 2016 compared to $3,213,000 at December 31, 2015 and $3,101,000 at March 31, 2015. Goodwill of $1,883,000 was acquired as part of the Varion acquisition on January 31, 2014. Goodwill of US$962,000 is also carried in the Company's U.S. operations and is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 7 to the Statements.

Other assets, income taxes receivable, deferred tax assets, and capital assets at March 31, 2016 and 2015 and December 31, 2015 were not material.

Total liabilities increased by $5,339,000 to $86,833,000 at March 31, 2016 compared to $81,494,000 at December 31, 2015 but were $18,297,000 lower than the $105,130,000 at March 31, 2015. The increase since December 31, 2015 mainly resulted from higher bank indebtedness, while the decrease since March 31, 2015 mainly resulted from lower bank indebtedness and notes payable.

Amounts due to clients decreased by $5,858,000 to $3,544,000 at March 31, 2016 compared to $9,402,000 at December 31, 2015 and were $1,672,000 lower than the $5,216,000 at March 31, 2015. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a few days of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness increased by $13,684,000 to $67,778,000 at March 31, 2016 compared with $54,094,000 at December 31, 2015 but was $10,760,000 lower than the $78,538,000 at March 31, 2015. Bank indebtedness mainly increased compared to last December 31 to fund the rise in Loans and repay amounts due to clients. The Company had approved credit lines with a number of banks totalling $136 million at March 31, 2016 and was in compliance with all loan covenants thereunder in the three months ended March 31, 2016. The Company's 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 Loans outstanding. The Company has no term debt outstanding.

Accounts payable and other liabilities, income taxes payable, deferred income and deferred tax liabilities at March 31, 2016 and 2015 and December 31, 2015 were not material.

Notes payable decreased to $11,649,000 at March 31, 2016 compared to $13,201,000 at December 31, 2015 and $16,792,000 at March 31, 2015. The decrease in notes payable resulted from redemptions, net of new notes issued and accrued interest. Please see Related Party Transactions section below and note 9 to the Statements.

Capital stock totalled $6,896,000 at March 31, 2016 and 2015 and December 31, 2015. There were 8,307,713 common shares outstanding at those dates. Please see note 10 to the Statements and the consolidated statements of changes in equity on page 15 of this report for details of changes in capital stock in the first quarter of 2016 and 2015. At the date of this MD&A, May 4, 2016, 8,307,713 common shares were outstanding.

Retained earnings totalled $57,783,000 at March 31, 2016 compared to $57,066,000 at December 31, 2015 and $52,214,000 at March 31, 2015. In the first quarter of 2016 retained earnings increased by $717,000. The increase comprised net earnings of $1,465,000 less dividends paid of $748,000 (9 cents per common share). Please see the consolidated statements of changes in equity on page 15 of this report for details of changes in retained earnings in the first quarter of 2016 and 2015.

The Company's AOCI account solely comprises the cumulative unrealized foreign exchange income arising on the translation of the assets and liabilities of the Company's foreign operations, which report in U.S. dollars. The AOCI balance totalled $6,732,000 at March 31, 2016 compared to $9,043,000 at December 31, 2015 and $5,897,000 at March 31, 2015. Please refer to note 14 to the Statements and the consolidated statements of changes in equity on page 15 of this report, which details movements in the AOCI account during the first quarter of 2016 and 2015. The $2,311,000 decrease in the first three months of 2016 resulted from a decrease in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar weakened from $1.3840 at December 31, 2015 to $1.2987 at March 31, 2016. This decreased the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$27 million by $2,311,000 in the first quarter.

Liquidity and Capital Resources

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

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

(as a percentage)	**Mar. 31, 2016**	Dec. 31, 2015	Mar. 31, 2015
Debt* / Equity	**111%**	92%	147%
Equity / Assets	**45%**	44%	38%

**bank indebtedness and notes payable*

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 bank credit lines totalling $136 million at March 31, 2016 and had borrowed $68 million against these facilities. Funds generated through operating activities and issuance of notes payable decrease the usage of, and dependence on, these lines.

As noted in the Review of Financial Position section above, the Company had cash balances of $7,887,000 at March 31, 2016 compared to $12,440,000 at December 31, 2015. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Cash flow for the quarter ended March 31, 2016 compared with the quarter ended March 31, 2015

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $2,019,000 in the first quarter of 2016 compared to $2,359,000 last year. After changes in operating assets and liabilities and income tax payments are taken into account, there was a net cash outflow from operating activities of $17,532,000 in the first quarter of 2016 compared to $15,828,000 last year. The net cash outflow in the current quarter largely resulted from financing Loans of $12,529,000 and paying amounts due to clients of $5,834,000. In the first quarter of 2015, the net cash outflow principally resulted from financing Loans of $16,119,000. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows on page 16 of this report.

Cash outflows from investing activities totalled $18,000 (2015 – $17,000) in the current quarter and comprised capital asset additions.

Net cash inflow from financing activities totalled $13,668,000 in the current quarter compared to $11,360,000 last year. The net cash inflow in the current quarter resulted from an increase in bank indebtedness of $15,965,000. Partially offsetting this inflow were notes payable redemptions, net, of $1,549,000 and a dividend payment of $748,000. The net cash inflow in the first quarter of 2015 resulted from an increase in bank indebtedness of $12,161,000. Partially offsetting this inflow was a dividend payment of $706,000 and notes payable redemptions, net, of $95,000.

The effect of exchange rate changes on cash totalled $670,000 and $338,000, respectively, in the quarters ended March 31, 2016 and 2015.

Overall, there was a net cash outflow of $4,553,000 in the current quarter compared to $4,148,000 in the first quarter of 2015.

Contractual Obligations and Commitments at March 31, 2016

	Payments due in			
(in thousands of dollars)	Less than 1 year	1 to 3 years	4 to 5 years	**Total**
Operating lease obligations	$ 419	$ 91	$ —	**$ 510**
Purchase obligations	221	26	—	**247**
	$ 640	$ 117	$ —	**$ 757**

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 or, in the case of one note, a week after demand and bear interest at rates that vary with bank Prime or Libor. The rates are at or below the rates charged by the Company's banks. Notes payable at March 31, 2016 totalled $11,649,000 compared with $13,201,000 at December 31, 2015 and $16,792,000 at March 31, 2015. Of these notes payable, $10,234,000 (December 31, 2015 – $11,788,000; March 31, 2015 – $14,956,000) was owing to related parties and $1,415,000 (December 31, 2015 – $1,413,000; March 31, 2015 – $1,836,000) to third parties. Interest expense on these notes totalled $78,000 in the quarter ended March 31, 2016 compared to $110,000 last year. Please refer to note 9 to the Statements.

Financial Instruments

All financial assets and liabilities, with the exception of cash, derivative financial instruments, the guarantee of managed receivables and the Company's SARs liability, are recorded at cost. The exceptions noted are recorded at fair value. Financial assets or liabilities, other than the lease receivables and loans to clients in our leasing business, are short term in nature and, therefore, their carrying values approximate fair values.

At March 31, 2016, the Company had entered into forward foreign exchange contracts with a financial institution which must be exercised by the Company between April 1, 2016 and February 28, 2017 and which oblige the Company to sell Canadian dollars and buy US$798,840 at exchange rates ranging from 1.3280 to 1.4050. These contracts were entered into by the Company on behalf of clients and similar forward foreign exchange contracts were entered into between the Company and the clients, whereby the Company will buy Canadian dollars from and sell US$798,840 to the clients. These contracts are discussed further in note 13 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 losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic environment, condition of the loan and receivable portfolios 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 its guarantee of 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 clients' 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 clients under their guarantees, net of any estimated recoveries expected from the insolvent customer's estate.

A general or collective allowance on both its Loans and its guarantee of 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 collective allowances, the Company applies percentage formulae to its Loans and managed receivables. The formulae are based upon historic credit and loan loss experience and are reviewed for adequacy on an ongoing basis. Management believes that its allowances for losses are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and in notes 3(d) and 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 be payable.

Control Environment

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal Control over Financial Reporting ("ICFR") is a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at March 31, 2016, management evaluated and concluded on the effective design of the Company's DC&P and ICFR, and determined that there were no material changes to the Company's ICFR during the three months then ended that materially affected, or were reasonably likely to materially affect, the Company's ICFR.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate and, as such, there can be no assurance that any design will succeed in achieving its stated goal under all potential conditions.

Risks And Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 17 to the Statements, which discuss the Company's principal 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.

Economic slowdown

The Company operates mainly 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 increases in its provision for credit and loan losses.

Credit risk

The Company is in the business of financing its clients' receivables and making asset-based loans, including lease financing. The Company's portfolio totalled $225 million at March 31, 2016. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 17(a) to the Statements.

Interest rate risk

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to 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. Further, in its leasing business, lease receivable and term loans to clients tend to be at fixed effective interest rates, while related bank borrowings tend to be floating rate. Please refer to note 17(c)(ii) to the Statements.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources is 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 fluctuations in the U.S. dollar against the Canadian dollar affect its operating results when its foreign subsidiaries results are translated into Canadian dollars. It has also impacted the value of the Company's net Canadian dollar investment in its foreign subsidiaries, which had in the past reduced the AOCI component of equity to a loss position, although this has now recovered to a sizable gain position at March 31, 2016. Please see notes 14 and 17(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. Business combinations also require management to exercise judgment in measuring the fair value of assets acquired, liabilities and contingent liabilities assumed, and equity instruments issued.

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, long-term incentives, 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.

In the first quarter of 2016, the Company couldn't quite achieve the record levels of business activity seen in 2015 as revenue fell a little short of 2015's first quarter for reasons noted above. Although a number of clients have "graduated" to regular bank lines in the past several months, the Company's pipeline of prospects remains strong and it is anticipated that the Company's asset-based financing units will be able to build upon current momentum despite operating in very competitive markets. Our credit protection and receivables management business continues to face intense competition from multinational credit insurers and it is expected this will continue. The Company's equipment financing and leasing business continues to expand. In addition, the Company has recently launched an internet-based working capital loan product that it hopes will accelerate its growth over the next few years. We will remain vigilant in maintaining portfolio quality in the face of an increasingly uncertain global economy. The Company continues to seek opportunities to acquire companies or portfolios to grow its business. Overall, the Company is optimistic about its prospects for the remainder of 2016 and look forward to higher activity for the balance of the year.

With its substantial capital and borrowing capacity, Accord is well positioned to capitalize on market conditions. That, coupled with experienced management and staff, will enable the Company to meet increased competition and develop new opportunities. Accord continues to introduce new financial and credit services to fuel growth in a very competitive and challenging environment.

Stuart Adair

Stuart Adair
Senior Vice President, Chief Financial Officer
May 4, 2016

Consolidated Statements of Financial Position (unaudited)

	March 31, 2016	December 31, 2015	March 31, 2015
Assets			
Cash	**$ 7,886,778**	$ 12,440,143	$ 2,954,982
Finance receivables and loans, net (note 4)	**142,796,874**	134,259,000	157,106,692
Income taxes receivable	**633,304**	376,727	1,039,353
Other assets	**504,570**	658,061	1,729,649
Assets held for sale (note 5)	**1,491,239**	1,544,182	1,388,139
Deferred tax assets, net	**182,103**	217,103	561,241
Capital assets	**335,549**	354,910	370,332
Intangible assets (note 6)	**1,368,861**	1,496,242	1,927,906
Goodwill (note 7)	**3,131,463**	3,213,495	3,100,592
	$ 158,330,741	$ 154,559,863	$ 170,178,886
Liabilities			
Due to clients	**$ 3,544,326**	$ 9,401,637	$ 5,215,970
Bank indebtedness (note 8)	**67,777,852**	54,094,479	78,537,982
Accounts payable and other liabilities	**2,029,803**	2,886,546	2,322,443
Income taxes payable	**734,006**	932,351	963,278
Notes payable (note 9)	**11,649,361**	13,200,628	16,792,070
Deferred income	**537,013**	378,504	606,993
Deferred tax liabilities, net	**560,932**	600,034	690,896
	86,833,293	81,494,179	105,129,632
Equity			
Capital stock (note 10)	**6,896,153**	6,896,153	6,896,153
Contributed surplus	**86,564**	60,329	42,840
Retained earnings	**57,782,975**	57,066,132	52,213,620
Accumulated other comprehensive income (note 14)	**6,731,756**	9,043,070	5,896,641
	71,497,448	73,065,684	65,049,254
	$ 158,330,741	$ 154,559,863	$ 170,178,886

Notice to Reader

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

Consolidated Statements of Earnings (unaudited)

Three months ended March 31	2016	2015
Revenue		
Interest and other income (note 4)	**$ 6,870,616**	$ 7,558,878
Expenses		
Interest	**500,889**	511,426
General and administrative	**4,104,130**	4,362,787
Provision for credit and loan losses	**534,662**	479,362
Depreciation	**34,017**	33,856
Business acquisition expenses: amortization of intangible assets	**127,381**	143,888
	5,301,079	5,531,319
Earnings before income tax expense	**1,569,537**	2,027,559
Income tax expense	**105,000**	323,000
Net earnings	**$ 1,464,537**	$ 1,704,559
Basic and diluted earnings per common share (note 11)	**$ 0.18**	$ 0.21

Consolidated Statements of Comprehensive Income (unaudited)

Three months ended March 31	2016	2015
Net earnings	**$ 1,464,537**	$ 1,704,559
Other comprehensive (loss) income:		
Items that are or may be reclassified to profit or loss: Unrealized foreign exchange (loss) gain on translation of self-sustaining foreign operations (note 14)	**(2,311,314)**	2,718,892
Comprehensive (loss) income	**$ (846,777)**	$ 4,423,451

Consolidated Statements of Changes in Equity (unaudited)

	Capital Stock					
	Number of common shares outstanding	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2015	8,307,713	$ 6,896,153	$ 42,840	$ 51,215,217	$ 3,177,749	$ 61,331,959
Comprehensive income	—	—	—	1,704,559	2,718,892	4,423,451
Dividend paid	—	—	—	(706,156)	—	(706,156)
Balance at March 31, 2015	8,307,713	$ 6,896,153	$ 42,840	$ 52,213,620	$ 5,896,641	$ 65,049,254
Balance at January 1, 2016	**8,307,713**	**$ 6,896,153**	**$ 60,329**	**$ 57,066,132**	**$ 9,043,070**	**$ 73,065,684**
Comprehensive loss	—	—	—	**1,464,537**	**(2,311,314)**	**(846,777)**
Stock-based compensation expense related to stock option grant	—	—	**26,235**	—	—	**26,235**
Dividend paid	—	—	—	**(747,694)**	—	**(747,694)**
Balance at March 31, 2016	**8,307,713**	**$ 6,896,153**	**$ 86,564**	**$ 57,782,975**	**$ 6,731,756**	**$ 71,497,448**

Consolidated Statements of Cash Flows (unaudited)

Three months ended March 31	2016	2015
Cash provided by (used in)		
Operating activities		
Net earnings	$ 1,464,537	$ 1,704,559
Items not affecting cash:		
Allowance for losses, net of charge-offs and recoveries	84,607	113,619
Deferred income	162,395	48,325
Amortization of intangible assets	127,381	143,888
Depreciation	34,017	33,856
Loss (gain) on disposal of assets held for sale	15,019	(8,369)
Stock-based compensation expense related to stock option grant	26,235	—
Deferred tax recovery	(3,292)	(263,954)
Current income tax expense	108,292	586,954
	2,019,191	2,358,878
Changes in operating assets and liabilities		
Finance receivables and loans, gross	(12,528,824)	(16,118,606)
Due to clients	(5,833,710)	(1,551,219)
Other assets	141,410	324,112
Accounts payable and other liabilities	(847,158)	(1,082,101)
Disposal of assets held for sale	60,924	889,603
Income tax paid, net	(544,073)	(649,101)
	(17,532,240)	(15,828,434)
Investing activities		
Additions to capital assets, net	(18,274)	(17,330)
	(18,274)	(17,330)
Financing activities		
Bank indebtedness	15,965,148	12,160,525
Notes payable redeemed, net	(1,549,877)	(94,714)
Dividend paid	(747,694)	(706,156)
	13,667,577	11,359,655
Effect of exchange rate changes on cash	(670,428)	337,818
Decrease in cash	(4,553,365)	(4,148,291)
Cash at January 1	12,440,143	7,103,273
Cash at March 31	$ 7,886,778	$ 2,954,982
Supplemental cash flow information		
Net cash used in operating activities includes:		
Interest paid	$ 432,122	$ 439,738

Notes to Consolidated Financial Statements (unaudited)

Three months ended March 31, 2016 and 2015

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, leasing, credit investigation, credit protection and receivables management, to industrial and commercial enterprises, principally in Canada and the United States. The Company's registered office is at 77 Bloor Street West, Toronto, Ontario, Canada.

2. Basis of presentation and statement of compliance

These condensed interim unaudited consolidated financial statements ("Statements") are expressed in Canadian dollars, the Company's functional and presentation currency, and have been prepared in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

These Statements do not include all of the information and footnotes required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared using the accounting policies that the Company expects to utilize in its consolidated financial statements for the year ending December 31, 2016, the more significant of which are detailed in note 3. These accounting policies are based on IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. These Statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2015.

The preparation of the condensed interim unaudited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates that are particularly judgmental relate to the determination of the allowance for losses relating to finance receivables and loans and to the guarantee of managed receivables (notes 3(d) and 4), the determination of the value of goodwill and intangible assets on acquisition (notes 6 and 7), as well as the net realizable value of assets held for sale (notes 3(g) and 5) and deferred tax assets and liabilities. Management believes that these estimates are reasonable and appropriate.

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

- Cash
- Assets held for sale
- Derivative financial instruments (a component of other assets and/or accounts payable and other liabilities)
- Share appreciation rights ("SARs") liability*
- Guarantee of managed receivables*

  **a component of accounts payable and other liabilities*

The condensed interim unaudited consolidated financial statements for the three months ended March 31, 2016 were approved for issue by the Company's Board of Directors ("Board") on May 4, 2016.

3. Significant accounting policies

a) Basis of consolidation

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

b) Revenue recognition

Revenue principally comprises interest, including discount fees, and factoring commissions from the Company's asset-based financial services, including factoring and leasing, and is measured at the fair value of the consideration received. For receivables purchased in its recourse factoring business, discount fees are calculated as a discount percentage of the gross amount of the factored invoice and are recognized as revenue over the initial discount period. Additional discount fees are charged on a per diem basis if the invoice is not paid by the end of the initial discount period. For managed receivables, factoring commissions are charged upfront and a certain portion is deferred and recognized over the period that costs are incurred collecting the receivables. Interest charged on finance receivables and loans to clients is recognized as revenue using the effective interest rate method. In the Company's leasing business, interest is recognized over the term of the lease agreement or installment payment agreement using the effective interest rate; the effective interest rate is that rate which exactly discounts estimated future cash receipts through the expected life of the lease, installment payment or loan agreement. Fees related to direct finance leases, installment payment agreements and loan receivables of Varion are considered an integral part of the yield earned on the debtor balance and are accounted for using the effective interest rate method.

Other revenue, such as due diligence fees, documentation fees and commitment fees, is recognized as revenue when earned.

c) Finance receivables and loans

The Company finances its clients principally by factoring their receivables, providing asset-based loans and financing equipment leases. Finance receivables (namely, factored receivables and lease receivables) and loans to clients are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Finance receivables and loans to clients are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest rate method.

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

d) Allowances for losses

The Company maintains allowances for losses on its finance receivables and loans and its guarantee of managed receivables. At each reporting date, the Company assesses whether there is objective evidence that the finance receivables and loans or managed receivables are impaired. A finance receivable and loan or a group of finance receivables or loans is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of these asset(s), and that the loss event has an effect on the future cash flows resulting from the finance receivable(s) and loan(s) that can be estimated reliably. At each reporting date, the Company also assesses whether there is objective evidence that a loss event has occurred in respect of the Company's guarantee of managed receivables. A loss event has occurred if there exists objective evidence that a debtor is bankrupt or insolvent and payments, which can be estimated reliably, are required to be made to clients under the Company's guarantees to them.

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.

The Company considers evidence of impairment for finance receivables and loans and managed receivables at both a specific asset and collective level. All finance receivables and loans and managed receivables are first assessed for specific impairment and, if found not to be specifically impaired, they are then collectively assessed for any impairment that has been incurred but not yet identified.

Losses on finance receivables and loans are charged to the allowance for losses account when collectability becomes questionable and the underlying collateral is considered insufficient to secure the loan balance. Credit losses on managed receivables are charged to the respective allowance for losses account when debtors are known to be bankrupt or insolvent. Recoveries from previously written-off accounts are credited to the respective allowance for losses account once collected. The allowance for losses on finance receivables and loans is recorded at amortized cost, while the allowance for losses on the guarantee of managed receivables is recorded at fair value.

e) Foreign subsidiaries

The Company's foreign subsidiaries report in U.S. dollars and their assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position 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 or loss and presented in the accumulated other comprehensive income or loss component of equity.

f) Stock-based compensation

The Company accounts for SARs and stock options issued to directors and/or employees using fair value-based methods. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the SARs and stock options on the grant date. Changes in the fair value of outstanding SARs are calculated at each reporting date, as well as at settlement date. The fair value of the awards is recorded in general and administrative expenses over the awards vesting period, or immediately if fully vested.

The Company’s senior executive long-term incentive plan (“LTIP”) (note 10(g)) contemplates that grants thereunder may be settled in common shares and/or cash. Grants are determined as a percentage of the participants’ short-term annual bonus, up to an annual LTIP pool maximum, which may be adjusted up or down based on the Company’s adjusted return on average equity over the three year vesting period of an award. The fair value of the LTIP award(s), calculated at each reporting date, is recorded in general and administrative expenses over the awards vesting period, with a corresponding liability established.

g) Assets held for sale

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

h) Future accounting policies

IFRS 9, Financial Instruments ("IFRS 9"), will replace the guidance provided in IAS 39, Financial Instruments Recognition and Measurements. The Standard includes new guidance on: (i) classification and measurement of financial assets and liabilities; (ii) impairment of financial assets; and (iii) hedge accounting. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. The impact of adoption of IFRS 9 has not yet been determined.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), will replace the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, with the exception of revenue earned from contracts in the scope of other standards, such as financial instruments, insurance contracts and leases.

The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with customers. IFRS 15 is effective for the fiscal year beginning January 1, 2018. The impact of adoption of IFRS 15 has not yet been determined.

IFRS 16, Leases ("IFRS 16"), will replace existing guidance on accounting for leases. The accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for fiscal years beginning January 1, 2019. The impact of adoption of IFRS 16 has not yet been determined.

4. Finance receivables and loans

	Mar. 31, 2016	Dec. 31, 2015	Mar. 31, 2015
Factored receivables	$ 86,945,608	$ 77,249,252	$100,306,032
Loans to clients	51,567,703	52,523,477	52,654,917
Lease receivables	5,969,563	6,134,271	6,042,743
Finance receivables and loans, gross	144,482,874	135,907,000	159,003,692
Less allowance for losses	1,686,000	1,648,000	1,897,000
Finance receivables and loans, net	$ 142,796,874	$134,259,000	$ 157,106,692

Lease receivables comprise Varion's net investment in leases as described in note 3(c). Varion's lease receivables at March 31, 2016 are expected to be collected over a period of up to five years.

Interest income earned on finance receivables and loans during the quarter ended March 31, 2016 totalled $5,706,594 (2015 – $5,869,125). Fees from receivables management and credit protection services during the quarter ended March 31, 2016 totalled $940,968 (2015 – $1,429,969).

The Company's allowance for losses on finance receivables and loans to clients at March 31, 2016 and 2015 and December 31, 2015 comprised only a collective allowance. The activity in the allowance for losses on finance receivables and loans account during the first three months of 2016 and 2015 was as follows:

	2016	2015
Allowance for losses at January 1	$ 1,648,000	$ 1,763,000
Provision for loan losses	459,908	430,914
Charge-offs	(394,301)	(336,802)
Recoveries	—	6,507
Foreign exchange adjustment	(27,607)	33,381
Allowance for losses at March 31	$ 1,686,000	$ 1,897,000

The Company has entered into agreements with clients, whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At March 31, 2016, the gross amount of these managed receivables was $80,154,063 (December 31, 2015 – $70,148,210; March 31, 2015 – $86,452,478). At March 31, 2016, management provided an amount of $185,000 (December 31, 2015 – $166,000; March 31, 2015 – $203,000) as a collective allowance for losses on the guarantee of these managed receivables, which represents the estimated fair value of the guarantees at those dates. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included in the consolidated statement of financial position.

The activity in the allowance for losses on the guarantee of managed receivables account during three months ended March 31, 2016 and 2015 was as follows:

	2016	2015
Allowance for losses at January 1	$ 166,000	$ 190,000
Provision for credit losses	74,754	48,448
Charge-offs	(73,296)	(52,531)
Recoveries	17,542	17,083
Allowance for losses at March 31	$ 185,000	$ 203,000

The nature of the Company's business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. These transactions are conducted on terms that are usual and customary to the Company's asset-based lending and factoring activities. The Company controls the credit risk associated with its finance 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 17(a).

At March 31, 2016, the Company held cash collateral of $1,514,622 (December 31, 2015 – $1,486,710; March 31, 2015 – $1,842,835) to help reduce the risk of loss on certain of the Company's finance receivables and loans and managed receivables.

The Company considers the allowances for losses on both its finance receivables and loans to clients and its guarantee of managed receivables critical to its financial results (see note 3(d)). As noted above, 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 estimated losses thereon. The allowances are based upon several considerations, including current economic environment, 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.

In establishing its collective allowances, the Company applies percentage formulae to its finance receivables and loans and managed receivables. The Company reviewed and adjusted its allowance for losses formulae at the beginning of 2016. The changes in estimate did not have a material impact on the Company's consolidated financial statements.

5. Assets held for sale

The estimated net realizable value of the assets held for sale at March 31, 2016 and 2015 and movements therein during the first three months of 2016 and 2015 were as follows:

	2016	2015
Assets held for sale at January 1	$ 1,544,182	$ 2,172,491
Additions	23,000	34,933
Disposals	(75,943)	(880,365)
Foreign exchange adjustment	—	61,080
Assets held for sale at March 31	$ 1,491,239	$ 1,388,139

During 2016 and prior years, the Company obtained title to or repossessed certain long-lived assets securing defaulted loans. These assets will be disposed as market conditions permit. The estimated net realizable value of the assets at the above dates was based upon appraisals of the assets.

The assets disposed in 2016 were sold for $60,924 resulting in a loss of $15,019 compared to the estimated net realizable value thereof. This loss was included in other income. The assets disposed in 2015 were sold for $888,734 resulting in a gain of $8,369 compared to the estimated net realizable value thereof. The gain was included in other income.

6. Intangible assets

The Company's intangible assets at March 31, 2016 were as follows:

	Existing customer contracts	Broker relationships	Total
Cost			
January 1, 2016 and March 31, 2016	$ 1,179,097	$ 1,343,938	$ 2,523,035
Accumulated amortization			
January 1, 2016	(635,533)	(391,260)	(1,026,793)
Amortization expense	(76,347)	(51,034)	(127,381)
March 31, 2016	(711,880)	(442,294)	(1,154,174)
Book value			
January 1, 2016	$ 543,564	$ 952,678	$ 1,496,242
March 31, 2016	$ 467,217	$ 901,644	$ 1,368,861

The Company's intangible assets at March 31, 2015 were as follows:

	Existing customer contracts	Broker relationships	Total
Cost			
January 1, 2015 and March 31, 2015	$ 1,179,097	$ 1,343,938	$ 2,523,035
Accumulated amortization			
January 1, 2015	(264,117)	(187,124)	(451,241)
Amortization expense	(92,854)	(51,034)	(143,888)
March 31, 2015	(356,971)	(238,158)	(595,129)
Book value			
January 1, 2015	$ 914,980	$ 1,156,814	$ 2,071,794
March 31, 2015	$ 822,126	$ 1,105,780	$ 1,927,906

7. Goodwill

	2016	2015
Balance at January 1	$ 3,213,495	$ 2,998,172
Foreign exchange adjustment	(82,032)	102,420
Balance at March 31	$ 3,131,463	$ 3,100,592

Goodwill is tested for impairment annually. During 2015, the Company conducted an annual impairment review and determined there was no impairment to the carrying value of goodwill. 2016's impairment review will be conducted in the Company's fourth quarter unless impairment indicators arise earlier. Goodwill of US$961,697 is carried in the Company's U.S. subsidiary and a foreign exchange adjustment is recognized each period-end when this balance is translated into Canadian dollars at the prevailing period-end exchange rate.

8. Bank indebtedness

Revolving lines of credit totalling approximately $136,000,000 have been established with a number of banks, bearing interest varying with the bank prime rate or Libor. These lines of credit are collateralized primarily by finance receivables and loans to clients. At March 31, 2016, the amounts outstanding under the Company's lines of credit totalled $67,777,852 (December 31, 2015 – $54,094,479; March 31, 2015 – $78,537,982). The Company was in compliance with all loan covenants under these lines of credit during the three months ended March 31, 2016 and 2015.

9. Related party transactions (notes payable)

Notes payable are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. The notes are unsecured, due on demand, or in the case of one note, a week after requesting repayment, and bear interest at rates below those of the Company's bank lines of credit.

Notes payable were as follows:

	Mar. 31, 2016	Dec. 31, 2015	Mar. 31, 2015
Related parties	**$ 10,234,556**	$ 11,787,564	$ 14,955,653
Third parties	**1,414,805**	1,413,064	1,836,417
	$ 11,649,361	$ 13,200,628	$ 16,792,070

Interest expense on the notes payable for the three months ended March 31 was as follows:

	2016	2015
Related parties	**$ 70,054**	$ 99,170
Third parties	**7,700**	11,173
	$ 77,754	$ 110,343

10. Capital stock, contributed surplus, dividends, share appreciation rights, stock option plans, senior executive long-term incentive plan, and stock-based compensation

a) Authorized capital stock

The authorized capital stock of the Company consists of an unlimited number of first preferred shares, issuable in series, and an unlimited number of common shares with no par value. The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board. At March 31, 2016 and 2015 and December 31, 2015, there were no first preferred shares outstanding.

b) Issued and outstanding

The Company's issued and outstanding common shares during the first quarter of 2016 and 2015 are set out in the consolidated statements of changes in equity.

c) Contributed surplus

	2016	2015
January 1	**$ 60,329**	$ 42,840
Stock-based compensation expense related to stock option grant (note 10(f))	**26,235**	—
March 31	**$ 86,564**	$ 42,840

d) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During the three months ended March 31, 2016, a dividend totalling $747,694 (2015 – $706,156) or $0.09 (2015 – $0.085) per common share was declared and paid.

On April 18, 2016, the Company declared a quarterly dividend of $0.09 per common share, payable June 1, 2016 to shareholders of record at the close of business on May 16, 2016.

e) Share appreciation rights

The Company has established a SARs plan, whereby SARs are granted to directors and key managerial employees of the Company. The maximum number of SARs which may be granted in any fiscal year under the plan is 2.5% of the total number of issued and outstanding common shares of the Company at the time of grant. The SARs will have a strike price at the time of grant equal to the volume weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the ten days that the shares were traded immediately preceding the date of grant, or other ten day trading period that the Company's Board may determine. Employees can sell part or all of their SARs after holding them for a minimum of 24 months. Each employee's SARs not sold to the Company will automatically be sold on the last business day on or preceding the fifth anniversary following such grant. Directors have to sell their SARs to the Company on or before October 27, 2017 at which time they will automatically be sold.

No SARs have been granted by the Company to directors or employees since 2011. No SARs were exercised in the three months ended March 31, 2016 and 2015.

The Company’s vested and outstanding SARs were as follows:

SARs grant price	Grant date	**Mar. 31, 2016**	Dec. 31, 2015	Mar. 31, 2015
$ 6.03	July 28, 2009	**7,500**	7,500	7,500
$ 5.50	May 7, 2010	**15,000**	15,000	30,000
$ 7.95	May 4, 2011	**55,000**	55,000	55,000
$ 7.56	July 26, 2011	**5,000**	5,000	5,000
		82,500	82,500	97,500

At March 31, 2016, the Company had accrued a liability of $150,450 (December 31, 2015 – $190,050; March 31, 2015 – $304,350) in respect of the fair value of outstanding SARs.

f) Stock option plans

The Company has established an employee stock option plan. Under the terms of the plan, an aggregate of 1,000,000 common shares has been reserved for issue upon the exercise of options granted to key managerial employees of the Company and its subsidiaries. According to the terms of the plan, these options vest over a period of three years provided certain minimum earnings criteria are met.

The Company has also established a non-executive directors' stock option plan. Under the terms of the plan, an aggregate of 500,000 common shares has been reserved for issue upon the exercise of options granted to non-executive directors of the Company.

Options are granted to purchase common shares at prices not less than the market price of such shares on the grant date. Although the Company may still grant stock options to employees, it has not done so since May 2004.

On October 28, 2015, the Company granted a total of 100,000 stock options to its five non-executive directors at an exercise price $9.56. These 100,000 options were the only ones outstanding at March 31, 2016 (December 31, 2015 – 100,000; March 31, 2015 – nil). Fifty percent of these options vest after one year and fifty percent after two years. The options have to be exercised within five years of the grant date, namely, by October 27, 2020 at which time they expire.

The fair value of the 100,000 options granted was determined using the Black-Scholes option pricing model with the following assumptions on the grant date:

Risk free interest rate	0.82%
Expected dividend yield	3.77%
Expected share price volatility	23.50%
Expected life of option	5.0 years
Fair value per option	$1.40

g) Senior executive long-term incentive plan

Under the LTIP, which was introduced in 2015, grants may be made annually to the Company's senior executive management group and are measured and assessed over a three-year performance period. Grants are determined as a percentage of the participants' short-term annual bonus subject to an annual LTIP pool maximum of 5% of adjusted consolidated net earnings. Vesting of the LTIP is subject to achievement over a three-year period of a cumulative annual adjusted return on average consolidated shareholders' equity and may be adjusted up or down subject to achievement of certain minimum and maximum return thresholds. The Compensation Committee of the Board has the discretion to determine whether payments on settlement are made through the issuance of shares at that time or in cash.

h) Stock-based compensation

During the three months ended March 31, 2016, the Company recorded a stock-based compensation expense of $35,135 (2015 – $76,050), of which $48,500 (2015 – nil) was in respect of the Company's LTIP award(s), and $26,235 (2015 – nil) was in respect of the non-executive directors' stock option grant, while there was a recovery of $39,600 (2015 – expense $76,050) in respect of the Company's outstanding SARs.

11. Earnings per common share and weighted average number of common shares

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

The following is a reconciliation of common shares used in the calculation of earnings per share:

Three months ended March 31	**2016**	2015
Basic weighted average number of common shares outstanding	**8,307,713**	8,307,713
Effect of dilutive stock options	**—**	—
Diluted weighted average number of common shares outstanding	**8,307,713**	8,307,713

For the three months ended March 31, 2016, all 100,000 outstanding options were excluded from the calculation of the diluted weighted average number of common shares outstanding because they were considered to be anti-dilutive for earnings per common share purposes. There were no options outstanding in the three months ended March 31, 2015.

12. Contingent liabilities

a) In the normal course of business there is outstanding litigation, the results of which are not expected to have a material effect upon the Company. Pending litigation, or other contingent matters represent potential financial loss to the Company. The Company accrues a potential loss if the Company believes the loss is probable and it can be reasonably estimated. The decision is based on information that is available at the time. The Company estimates the amount of the loss by consulting with the outside legal counsel that is handling the defense. This involves analyzing potential outcomes and assuming various litigation and settlement strategies. At March 31, 2016, the Company's management, was not aware of any litigation the aggregate liability from which would materially affect the financial position of the Company.

b) At March 31, 2016, the Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $278,002 at (December 31, 2015 – $481,201; March 31, 2015 – $340,226). In addition, at March 31, 2016 and 2015, and December 31, 2015, the Company was contingently liable with respect to letters of guarantee issued on behalf of its clients in the amount of $150,000. These amounts were considered in determining the allowance for losses on finance receivables and loans.

13. Derivative financial instruments

At March 31, 2016, the Company had entered into forward foreign exchange contracts with a financial institution which must be exercised by the Company between April 1, 2016 and February 28, 2017 and which oblige the Company to sell Canadian dollars and buy US$798,840 at exchange rates ranging from 1.3280 to 1.4050. These contracts were entered into by the Company on behalf of clients and similar forward foreign exchange contracts were entered into between the Company and the clients, whereby the Company will buy Canadian dollars from and sell US$798,840 to the clients.

At December 31, 2015, the Company had entered into forward foreign exchange contracts with a financial institution that matured between January 29, 2016 and March 31, 2016 and obliged the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.3075 to 1.3100, while at March 31, 2015, the Company had entered into a forward foreign exchange contract with a financial institution that matured between May 4, 2015 and September 30, 2015 and obliged the Company to sell Canadian dollars and buy US$1,050,000 at exchange rates ranging from 1.2095 to 1.2585. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company bought Canadian dollars from and sold US$700,000 and US$1,050,000, respectively, to the client.

The favorable and unfavorable fair values of these contracts were recorded on the Company's consolidated statements of financial position in other assets and accounts payable and other liabilities, respectively. The fair value of the contracts were classified as Level 2 under IFRS 7. During the three months ended March 31, 2016 and 2015 there was no movement between the three-level fair value hierarchy described in note 3(p) to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2015.

14. Accumulated other comprehensive income

Accumulated other comprehensive income ("AOCI") solely comprises the unrealized foreign exchange gain (commonly referred to as cumulative translation adjustment) arising on translation of the assets and liabilities of the Company's foreign subsidiaries which report in U.S dollars. Changes in the AOCI balance during the three months ended March 31, 2016 and 2015 are set out in the consolidated statements of changes in equity.

15. 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. Under the fair value hierarchy, finance receivables and loans would be classified as Level 3.

16. 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 March 31, 2016:

(in thousands)	**Canada**	**United States**	**Inter-company**	**Total**
Identifiable assets	**$ 90,769**	**$ 71,458**	**$ (3,896)**	**$ 158,331**
Revenue	**$ 4,446**	**$ 2,455**	**$ (30)**	**$ 6,871**
Expenses				
Interest	**512**	**19**	**(30)**	**501**
General and administrative	**2,738**	**1,366**	**—**	**4,104**
Provision for credit and loan losses	**382**	**153**	**—**	**535**
Depreciation	**23**	**11**	**—**	**34**
Business acquisition expenses	**127**	**—**	**—**	**127**
	3,782	**1,549**	**(30)**	**5,301**
Earnings before income tax expense	**664**	**906**	**—**	**1,570**
Income tax expense	**188**	**(83)**	**—**	**105**
Net earnings	**$ 476**	**$ 989**	**$ —**	**$ 1,465**

Three months ended March 31, 2015:

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 103,394	$ 71,851	$ (5,066)	$ 170,179
Revenue	$ 4,960	$ 2,618	$ (19)	$ 7,559
Expenses				
Interest	511	19	(19)	511
General and administrative	3,130	1,233	—	4,363
Provision for credit and loan losses	288	191	—	479
Depreciation	22	12	—	34
Business acquisition expenses	144	—	—	144
	4,095	1,455	(19)	5,531
Earnings before income tax expense	865	1,163	—	2,028
Income tax expense	238	85	—	323
Net earnings	$ 627	$ 1,078	$ —	$ 1,705

17. Financial risk management

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

a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. In the Company's case, credit risk arises with respect to its loans to and other financial transactions with clients, its guarantee of managed receivables, and any other financial transaction with a counterparty that the Company deals with. The carrying amount of these loans 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 asset-based lending, including factoring and leasing, business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. 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.

In its asset-based lending, including leasing, and credit protection and receivables management operations, credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1.0 million, the Company's President and the Chairman of its Board. Credit in excess of $2.5 million is approved by the Company's Credit Committee, which comprises three independent members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. In its factoring operations, the Company's primary focus continues to be on the credit-worthiness and collectability of its clients' receivables.

The Company's factoring 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 that the Company guarantees payment, 1.4% were past due more than 60 days at March 31, 2016 (December 31, 2015 – 2.9%; March 31, 2015 – 2.4%). 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 asset-based lending businesses, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, while in its credit protection and receivables management business, it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the highest quality and that any inventory, equipment or other assets-securing loans are appropriately appraised. In its factoring operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. The financial strength of its clients' customers is often more important than the financial strength of the clients themselves.

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

In its credit protection and receivables management business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. All customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. At March 31, 2016, the Company had not guaranteed any accounts receivable in excess of $10 million for any customer.

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

	March 31, 2016	
Industrial sector (in thousands)	**Gross finance receivables and loans**	**% of total**
Financial and professional services	**$ 50,776**	**35**
Manufacturing	**37,903**	**26**
Wholesale and distribution	**32,669**	**23**
Other	**23,135**	**16**
	$ 144,483	**100**

	March 31, 2015	
Industrial sector (in thousands)	Gross finance receivables and loans	% of total
Financial and professional services	$ 53,704	34
Manufacturing	46,295	29
Wholesale and distribution	41,996	26
Other	17,009	11
	$ 159,004	100

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

	March 31, 2016	
Industrial Sector (in thousands)	**Managed receivables**	**% of total**
Retail	**$ 67,041**	**84**
Other	**13,113**	**16**
	$ 80,154	**100**

	March 31, 2015	
Industrial Sector (in thousands)	Managed receivables	% of total
Retail	$ 74,838	87
Other	11,614	13
	$ 86,452	100

As set out in notes 3(d) and 4 the Company maintains an allowance for credit and loan losses on its finance receivables and loans and its guarantee of managed receivables. 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 totalling approximately $136,000,000 have been established at a number of banking institutions, bearing interest varying with the bank prime rate or Libor. At March 31, 2016, the Company had borrowed $67,777,852 (December 31, 2015 – $54,094,479; March 31, 2015 – $78,537,982) against these facilities. These lines of credit are collateralized primarily by finance receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit during the three months ended March 31, 2016. Notes payable are due on demand, or in the case of one note, a week after demand, and are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. As at March 31, 2016, 88% of these notes were due to related parties and 12% 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.

At March 31, 2016, the Company had gross finance receivables and loans totalling $144,483,000 (December 31, 2015 – $135,907,000; March 31, 2015 – $159,004,000) which substantially exceeded its total liabilities of $86,833,000 at that date (December 31, 2015 – $81,494,000; March 31, 2015 – $105,130,000). The Company's receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

All assets and liabilities, other than Varion's lease receivables and equipment loans, capital assets, deferred tax, intangible assets, goodwill, SARs and the LTIP liability are expected to be settled within 12 months at the values stated in the consolidated statements of financial position.

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 foreign operations, which operate in U.S. dollars, to the full extent of the foreign operations net assets of US$27,235,000 at March 31, 2016. The Company's investment in its foreign operations is not hedged as they are long-term in nature. Unrealized foreign exchange gains or losses arise on translation of the assets and liabilities of the Company's foreign operations into Canadian dollars each period-end. Resulting foreign exchange gains or losses are credited or charged to other comprehensive income or loss with a corresponding entry to the AOCI component of equity (note 14). The Company is also subject to foreign currency risk on the earnings of its foreign operations, which are unhedged. Based on the foreign operations results for the three months ended March 31, 2016, 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 and the AOCI component of equity by approximately $270,000.

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 and notes payable. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At March 31, 2016, the Company's unhedged foreign currency positions in its Canadian operations totalled $68,000 (December 31, 2015 – $276,000; March 31, 2015 – $52,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a 1% change in the value of its unhedged foreign currency positions against the Canadian dollar would not have a material impact on the Company's net earnings.

ii) Interest rate risk

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

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to a large degree. However, as the Company's finance receivables and loans substantially exceed its floating and short-term fixed rate (usually 30 days) borrowings, the Company is exposed to interest rate risk as a result of the difference, or gap, that exists between interest sensitive assets and liabilities. This gap largely exists because of, and fluctuates with, the quantum of the Company's equity. However, in the Company's leasing business, lease receivables and term loans to clients are usually at fixed effective interest rates, while related bank borrowings are currently at floating rates.

The following table shows the interest rate sensitivity gap at March 31, 2016:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	4 to 5 years	Non-rate sensitive	Total
Assets						
Cash	$ 6,136	$ —	$ —	$ —	$ 1,751	$ 7,887
Finance receivables and loans, net	130,003	5,233	9,185	172	(1,796)	142,797
Assets held for sale	—	—	—	—	1,491	1,491
All other assets	—	633	—	—	5,523	6,156
	136,139	5,866	9,185	172	6,969	158,331
Liabilities						
Due to clients	—	—	—	—	3,544	3,544
Bank indebtedness	8,882	58,896	—	—	—	67,778
Notes payable	11,649	—	—	—	—	11,649
All other liabilities	—	734	—	—	3,129	3,863
Equity	—	—	—	—	71,497	71,497
	20,531	59,630	—	—	78,170	158,331
	$115,608	$ (53,764)	$ 9,185	$ 172	$(71,201)	$ —

Based on the Company's interest rate positions as at March 31, 2016, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $620,000 over a one-year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

18. Capital management

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to equity and its equity to total assets. As a percentage, these ratios were 111% (December 31, 2015 – 92%; March 31, 2015 – 147%) and 45% (December 31, 2015 – 47%; March 31, 2015 – 38%), respectively, at March 31, 2016 indicating the Company's continued financial strength and relatively low degree of leverage. The Company's debt, and leverage, will usually rise with an increase in finance receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at March 31, 2016, AFIC and AFIU are required to maintain a debt to TNW ratio of less than 4.0 on a combined basis. Varion is required to maintain a debt to TNW ratio of less than 3.0. The Company was fully compliant with its banking covenants during the three months ended March 31, 2016 and 2015. There were no changes in the Company's approach to capital management from previous periods.

19. Subsequent events

At May 4, 2016 there were no subsequent events occurring after March 31, 2016 that required disclosure.

www.accordfinancial.com

In Canada

Toronto
(800) 967-0015

Montreal
(800) 231-2977

Vancouver
(844) 982-3010

In the U.S.

(800) 231-2757