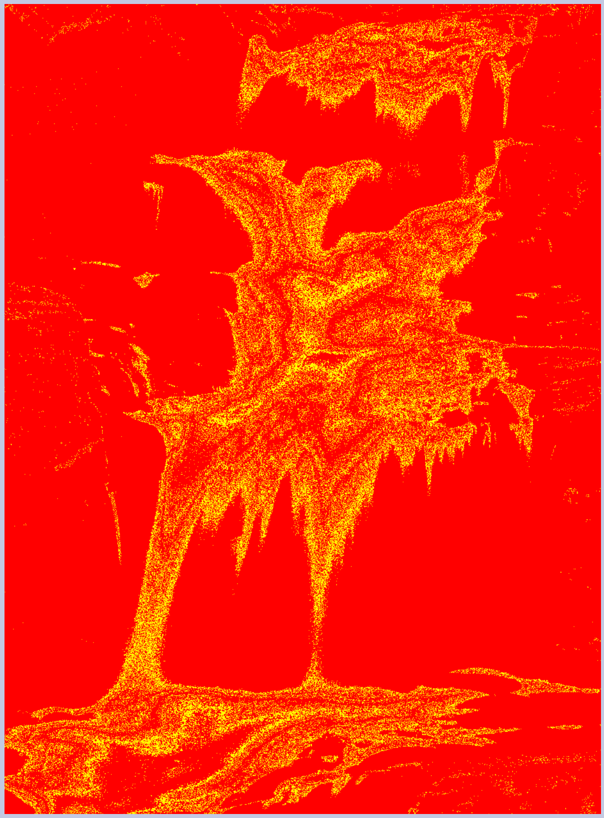
FIRST QUARTER REPORT ▪ MARCH 31, 2010



Keeping Business Liquid

ACCORD FINANCIAL

Keeping Business Liquid

Tom Henderson
President &
Chief Executive Officer

Letter to the Shareholders

Enclosed is the first quarter report, including the Company's Management's Discussion and Analysis, for the three months ended March 31, 2010 together with comparative figures for the same period of 2009. This report has not been reviewed by the Company's auditors, but has been reviewed and approved by the Company's Audit Committee and Board of Directors.

Factoring volume was a first-quarter record rising 26% to $505 million compared with $402 million last year. Revenue rose by 15% to $6,979,000 compared to $6,071,000 last year on improved factoring volume and a lower level of non-earning loans. Interest expense came in at $385,000 compared to $300,000 a year ago largely due to increased borrowings. Overhead costs, including general and administrative and depreciation, rose 2% over last year's first quarter to $3,604,000. The provision for credit and loan losses, which includes increases or decreases in reserves, rose from $331,000 in 2009 to $559,000 in 2010.

Net earnings for the first quarter of 2010 increased by a strong 26% to $1,611,000 compared with $1,280,000 in the first quarter of 2009. Diluted earnings per share were 17 cents this year versus 14 cents last year. Revenue and net earnings, both in our Canadian and U.S. operations, rose this quarter compared to the same period last year. Revenue and net earnings totalled $4,744,000 and $906,000, respectively, in Canada compared to $4,058,000 and $695,000, respectively, a year ago. They were $2,235,000 and $705,000, respectively, in our U.S. operation compared to $2,013,000 and $585,000, respectively, last year. Our U.S. net earnings would have been higher had the average value of the U.S. dollar not declined 16% in the current quarter compared to last year's first quarter.

The Company's gross factored receivables and loans at March 31, 2010 totalled $96 million, down from $102 million last year. The decline resulted from the impact of the fall in the value of the U.S. dollar on the Canadian equivalent of our U.S. outstandings, which served to reduce same by over $9 million. Put another way, our gross factored receivables and loans would have risen but for the adverse impact of the weaker U.S. dollar. Adding managed receivables to these figures, the Company's total portfolio was $258 million at March 31, 2010 compared with $254 million at March 31, 2009. Largely due to a fall in the U.S. dollar over the last 12 months, total shareholders' equity dropped from $50 million at March 31, 2009 to just over $43 million at March 31, 2010. This is equivalent to a book value per share of $4.60 versus $5.31 a year ago.

Our first quarter results are obviously quite pleasing. This is especially true considering the results of the last two years when your company faced the challenges posed by an almost unprecedented global recession. The economy in Canada and to a lesser extent in the U.S. is on the mend and we are seeing much less stress on our portfolio of factored receivables and loans. In addition, we are seeing steady new deal flow in our lending subsidiaries. This comes about as a result of weakened commercial finance competition in Canada and the U.S. as well as the troubles still being experienced by many U.S. banks both large and small. The excellent financial strength Accord enjoys combined with intensified marketing efforts serve to highlight to our referral sources that we can be counted on to deliver for their clients. I believe the visibility of the Accord brand is now stronger than ever and we are taking steps to increase that further which I will comment on in future letters. So, with record volume, a 15% increase in revenue and a 26% increase in net earnings we are off to a good start for 2010.

At a recent Board of Directors meeting, the regular quarterly dividend of 6.5 cents per share was declared, payable June 1, 2010 to shareholders of record May 14, 2010.

Tom Henderson
President and Chief Executive Officer

Toronto, Ontario
May 5, 2010

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Stuart Adair
Vice President,
Chief Financial Officer

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

Quarter ended March 31, 2010 compared with quarter ended March 31, 2009

Overview and Non-GAAP Financial Measures

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter ended March 31, 2010 compared with the quarter ended March 31, 2009 and, where presented, the quarter ended March 31, 2008. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A should be read in conjunction with the Company's interim unaudited consolidated financial statements (the "Statements") and notes for the quarters ended March 31, 2010 and 2009, which are included as part of this 2010 First Quarter Report and as an update in conjunction with the discussion and analysis and audited consolidated financial statements and notes thereto included in the Company's 2009 Annual Report. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Please refer to note 3(b) to the Statements regarding the Company's use of accounting estimates in the preparation of its financial statements in accordance with GAAP.

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

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

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

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

Accord's Business

Accord is a leading North American provider of factoring and other asset-based financial services to businesses, including financing, collection services, credit investigation and guarantees. The Company's financial services are discussed in more detail in its 2009 Annual Report. Its clients operate in a wide variety of industries, details of which are set out in note 15(a) to the Statements.

Quarterly Financial Information

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

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

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

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

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

Results of Operations for Quarter ended March 31, 2010

Net earnings increased by $331,000 or 26% to $1,611,000 in the first quarter of 2010 compared to $1,280,000 in last year's first quarter and were 8% higher than 2008's first quarter net earnings of $1,488,000. The increase in net earnings compared to the first quarter of 2009 resulted from a 15% rise in revenue, while net earnings increased compared to the first quarter of 2008 as a result of lower interest expense and provision for credit and loan losses. The 16% decline in the average value of the U.S. dollar against the Canadian dollar in the first quarter of 2010 compared to the first quarter of 2009 served to reduce the Canadian dollar equivalent of AFIU's earnings by approximately $140,000 in the quarter. Diluted earnings per common share for the quarter were 17 cents, 21% higher than the 14 cents last year and 6% higher than the 16 cents in 2008.

Factoring volume increased by a strong 26% to $505 million, a first quarter record, compared to $402 million in the first quarter of 2009. Recourse and non-recourse volume rose by 42% and 10%, respectively. Volume rose in our recourse business compared to the first quarter of 2009 as a number of new clients were funded in the quarter, while non-recourse volume benefited from new clients added in the second half of 2009.

Revenue increased by $908,000 or 15% to $6,979,000 in the current quarter compared with $6,071,000 in the first quarter of 2009, while it declined by 6% compared to the $7,427,000 in 2008's first quarter. Revenue rose on higher factoring volume and commissions compared to last year's first quarter, although this was partly offset by lower interest earned on asset-based loans and a decrease in miscellaneous revenue. Revenue declined compared to 2008 largely due to lower gross factored receivables and loans (collectively, "Loans") and lower interest rates. The Canadian dollar equivalent of our U.S. subsidiary's revenue decreased by approximately $450,000 compared to the first quarter of 2009 as a result of the weaker U.S. dollar this year.

Total expenses for the first quarter of 2010 increased by $390,000 or 9% to $4,548,000 compared to $4,158,000 last year. The provision for credit and loan losses rose by $228,000 to $559,000, general and administrative expenses ("G&A") increased by $96,000 to $3,571,000, while interest expense was $85,000 higher at $385,000. Depreciation expense declined by $19,000 to $33,000 on a lower net book value of capital assets.

Interest expense increased by 28% due to a rise in average borrowings (bank indebtedness and notes payable) and somewhat higher interest rates on our U.S. dollar borrowings.

The provision for credit and loan losses, a combination of net charge-offs and a charge or recovery related to an increase or decrease in the Company's total allowance for losses, rose by 69% to $559,000. The provision for credit and loan losses in the first quarters of 2010 and 2009 comprised:

(in thousands)	Quarter ended March 31 2010	2009
Net charge-offs	$ 498	$ 420
Charge (recovery) related to increase (decrease) in total allowances for losses	61	(89)
	$ 559	$ 331

Net charge-offs increased by $78,000 in the current quarter compared to last year's first quarter, while there was an increase of $150,000 in the charge related to the change in the Company's total allowances for losses. The Company is prudent in its approach to providing for charge-offs and believes that all problem accounts have been identified and adequately provided for, which is particularly important in the current economic environment. Please see the discussion on the Company's allowances for losses on page 4.

G&A comprises personnel costs, representing the majority of G&A, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. G&A rose by 3% in the current quarter on severance costs ($110,000) incurred and increased profit sharing expense related to higher earnings, although it is noted that the weaker U.S. dollar in the quarter served to reduce the Canadian dollar equivalent of AFIU's expenses by approximately $175,000 compared to the first quarter of 2009. The Company continues to manage its controllable expenses closely.

Income tax expense rose by 29% to $820,000 compared to $633,000 in the first quarter of 2009 on a 27% increase in pre-tax earnings. The effective income tax rate for the current quarter was 33.7%, slightly higher than last year's first quarter of 33.1%.

Canadian operations reported a strong 30% increase in net earnings in the first quarter of 2010 compared to 2009 (see note 11 to the Statements). Net earnings increased by $211,000 to $906,000 compared to $695,000 last year on higher revenue. Revenue rose by $686,000 or 17% to $4,744,000 on higher factoring volume. Expenses increased by $376,000 or 12% to $3,416,000. The rise in expenses resulted from a $216,000 increase in G&A, while the provision for credit and loan losses and interest expense were $102,000 and $72,000 higher, respectively. Income tax expense increased by $99,000 or 31% to $422,000 on a similar rise in pre-tax earnings.

U.S. operations also reported stronger results this quarter despite a weaker U.S. dollar. Net earnings rose by 21% to $705,000 in the quarter compared to $585,000 last year. In U.S. dollars, AFIU's net earnings increased by 45%. The impact of the weaker U.S. dollar this quarter on the Company's operating results is discussed above. Revenue rose by 11% to $2,235,000 on higher factoring volume and outstanding factored receivables. Expenses increased by $14,000 to $1,132,000. The provision for credit and loan losses rose by $126,000 to $172,000, interest expense increased by $12,000 to $43,000, while G&A declined by $120,000 to $912,000 as a result of the weaker U.S. dollar. Income tax expense rose by $88,000 or 28% to $398,000 largely as a result of a 23% rise in pre-tax earnings.

Review of Balance Sheet

Shareholders' equity at March 31, 2010 totalled $43,263,000, a $6,734,000 decrease compared to $49,997,000 at March 31, 2009 and $93,000 below the $43,356,000 at December 31, 2009. Book value per common share declined to $4.60 at March 31, 2010 compared to $5.31 a year earlier and $4.61 at December 31, 2009. The decrease in shareholders' equity since March 31, 2009 principally resulted from a $7,615,000 increase in the accumulated other comprehensive loss component of shareholders' equity. This account, discussed below, was adversely impacted by the substantial decline in the U.S. dollar since last March 31.

Total assets were $103,000,000 at March 31, 2010 compared to $102,000,000 at March 31, 2009 and $98,000,000 at December 31, 2009. Total assets largely comprised Loans. Excluding inter-company balances, identifiable assets located in the United States were 44% of total assets at March 31, 2010 compared with 48% at March 31, 2009.

Gross Loans before the allowance for losses thereon, totalled $96 million at March 31, 2010, 6% below the $102 million at March 31, 2009 but 5% above the $91 million at December 31, 2009 (see note 4 to the Statements). Loans decreased compared to last March largely as a result of the 19% decline in the value of the U.S. dollar at March 31, 2010 compared to last

March 31. This reduced the Canadian dollar equivalent of AFIU's Loans by over $9 million, otherwise total Loans would have risen somewhat. As detailed in note 4, the Company's factored receivables have risen since last March 31, while its loans to clients have declined largely as a result of a number of client liquidations. This change in mix of Loans has had a favorable impact on revenue. Net of the allowance for losses thereon, Loans totalled $94 million at March 31, 2010 compared to $99 million at March 31, 2009 and $90 million at December 31, 2009. Loans principally represent advances made by our recourse factoring and asset-based lending subsidiaries, AFIC and AFIU, to clients in a wide variety of industries. These businesses had approximately 140 clients at March 31, 2010. Three clients comprised over 5% of gross Loans at March 31, 2010, of which the largest comprised 5.5%.

In its non-recourse factoring 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 balance sheet. These non-recourse or managed receivables increased to $163 million at March 31, 2010, compared to $152 million at March 31, 2009 and $155 million at December 31, 2009. Managed receivables comprise the receivables of approximately 190 clients. The 25 largest clients generated 56% of non-recourse volume in the first quarter of 2010. Most of the clients' customers are large "big box" and apparel, home furnishings and footwear retailers in Canada and the United States. At March 31, 2010, the 25 largest customers accounted for 53% of total managed receivables, of which the largest four customers comprised 33%.

The Company's total portfolio, which comprises both gross Loans and managed receivables, totalled $258 million at March 31, 2010, slightly higher than the $254 million at March 31, 2009 and 4% higher than the $247 million at December 31, 2009.

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

After a detailed review of the Company's $258 million portfolio at March 31, 2010, all problem 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 decreased by $1,649,000 to $1,562,000 at March 31, 2010 from $3,211,000 at March 31, 2009. As set out in note 4 to the Statements, the allowance at March 31, 2009 comprised of a general allowance of $1,759,000, as well as specific allowances of $1,452,000 established against a number of non-performing Loans, while the allowance at March 31, 2010 comprised only of a general allowance. Subsequent to March 31, 2009, charge-offs were taken against the non-performing Loans which existed at that date and at March 31, 2010 there were no specific allowances outstanding. The allowance for losses on the guarantee of managed receivables comprised only a general allowance of $1,129,000 at March 31, 2010, 39% higher than the $813,000 general allowance at March 31, 2009. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. As these managed receivables are off-balance sheet, this allowance is included in the total of accounts payable and other liabilities. The estimates of both allowance for losses are judgmental. Management considers them to be adequate.

Assets held for sale totalled $4,867,000 at March 31, 2010 and comprised certain assets securing a defaulted loan upon which the Company foreclosed and obtained title in May 2009. The assets are currently being actively marketed for sale and will be sold as market conditions permit. The assets are stated at their net realizable value at March 31, 2010. No impairment charge was booked in respect of the assets in the first quarter of 2010. There were no assets held for sale at March 31, 2009.

Cash totalled $2,090,000 at March 31, 2010 compared with $1,092,000 at March 31, 2009 and $339,000 at December 31, 2009. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. However, due to the large volume of cash being processed daily it is necessary that a certain amount of cash be held to fund daily requirements. Fluctuations in cash balances are normal.

Changes in other assets, income taxes receivable or payable, future income taxes, capital assets and goodwill compared to

March 31 and December 31, 2009 were not significant.

Total liabilities at March 31, 2010 were $60,168,000 compared to $52,449,000 at March 31, 2009 and $54,582,000 at December 31, 2009. The Company's liabilities are discussed below.

Bank indebtedness totalled $44,070,000 at March 31, 2010, 25% higher than the $35,117,000 at March 31, 2009 and 20% higher than the $36,798,000 at December 31, 2009. The increase since last March 31 principally resulted from funding new Loans. The Company has approved credit lines with a number of banks totalling approximately $101 million at March 31, 2010 and was in compliance with all loan covenants thereunder at March 31, 2010. The Company's major credit lines are typically renewed for a period of one or two years at a time as circumstances dictate. Bank indebtedness usually fluctuates with the quantum of Loans outstanding. The Company has no term debt outstanding.

Amounts due to clients totalled $2,421,000 at March 31, 2010 compared to $4,535,000 at March 31, 2009 and $4,517,000 at December 31, 2009. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Accounts payable and other liabilities totalled $3,004,000 at March 31, 2010 compared to $2,252,000 at March 31, 2009 and $3,266,000 at December 31, 2009. As noted above, accounts payable and other liabilities include the allowance for losses on the guarantee of managed receivables, which increased $316,000 compared to last March 31.

Changes in deferred income and notes payable since March 31 and December 31, 2009 were not significant.

Capital stock totalled $6,908,000 at March 31, 2010 and December 31, 2009, $197,000 higher than the $6,711,000 at March 31, 2009. There were 9,408,971 common shares outstanding at March 31, 2010 compared with 9,408,871 a year earlier. Note 8 to the Statements provides details of changes in the Company's issued and outstanding common shares and capital stock. Note 8 also provides details of the Company's Normal Course Issuer Bids (collectively referred to as "Bid"). No shares were repurchased pursuant to the Bid during the quarter ended March 31, 2010. At the date of this MD&A, May 5, 2010, 9,408,971 common shares remained outstanding.

Details of the Company's stock option plans are set out in note 10(e) to the Company's 2009 audited financial statements included in its 2009 Annual Report. The Company has not issued any options to employees or directors since May 2004. There remain 42,000 options outstanding with an exercise price of $7.25 at March 31, 2010. Note 7 to the Statements provides details of grants under the Company's share appreciation rights ("SARs") plan. No SARs were issued during the current quarter. At March 31, 2010, the 195,000 outstanding SARs had no intrinsic value.

Contributed surplus totalled $43,000 at March 31, 2010 and December 31, 2009 compared to $82,000 at March 31, 2009. Contributed surplus declined since March 31, 2009 as a result of $39,000 transferred to capital stock upon the exercise of stock options.

Retained earnings totalled $44,782,000 at March 31, 2010 compared to $44,060,000 at March 31, 2009 and $43,783,000 at December 31, 2009. In the first quarter of 2010, retained earnings increased by $999,000, which comprised net earnings of $1,611,000 less dividends paid of $612,000 (6.5 cents per common share). In the first quarter of 2009, retained earnings increased by $517,000, which comprised net earnings of $1,280,000 less dividends paid of $613,000 (6.5 cents per common share) and the $150,000 premium paid on the 29,300 shares repurchased under the Bid. Please refer to the Consolidated Statements of Retained Earnings on page 12 of this report.

Accumulated other comprehensive loss comprises the unrealized foreign exchange loss arising on the translation of assets and liabilities of the Company's self-sustaining U.S. subsidiary. The accumulated loss was $8,471,000 at March 31, 2010 compared to $856,000 at March 31, 2009 and $7,379,000 at December 31, 2009. Please refer to note 13 to the Statements. The $1,092,000 increase in loss position in 2010 was caused by a 3% decline in the value of the U.S. dollar against the

Canadian dollar this year. The U.S. dollar declined against the Canadian dollar from $1.051 at December 31, 2009 to $1.016 at March 31, 2010. This reduced the Canadian dollar equivalent of the Company's net investment in its U.S. subsidiary of approximately $31 million by $1,092,000.

Liquidity and Capital Resources

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital 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 equity to total assets, principally Loans, and its debt to shareholders' equity. Expressed as a percentage, these ratios are as follows.

(as a percentage)	Mar. 31, 2010	Mar. 31, 2009	Dec. 31, 2009
Equity / Assets	42%	49%	44%
Debt* / Equity	124%	90%	106%

**bank indebtedness & notes payable*

These ratios indicate the Company's continued financial strength and overall low degree of leverage.

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

The Company had credit lines totalling approximately $101 million at March 31, 2010 and had borrowed approximately $44 million against these facilities. Funds generated through operating activities, notes payable and share issuances decrease the usage of, and dependence on, these lines.

As noted in the Review of Balance Sheet section, the Company had cash of $2,090,000 as at March 31, 2010 compared to $1,092,000 as at March 31, 2009. As far as possible, cash on hand is usually maintained at a minimum and surplus cash is used to repay bank indebtedness.

Management believes that current cash balances and existing credit lines together with cash flow from operations will be sufficient to meet the cash requirements of working capital, capital expenditures, operating expenditures, dividend payments and share repurchases and will provide sufficient liquidity and capital resources for growth over the remainder of 2010.

Cash Flows for Quarter ended March 31, 2010

Cash inflow from net earnings before changes in operating assets and liabilities totalled $1,921,000 in the first quarter of 2010 compared with $1,676,000 last year. After changes in operating assets and liabilities are taken into account, there was a net cash outflow from operating activities of $5,487,000 in the first quarter of 2010 compared to a net cash inflow of $3,213,000 last year. The net cash outflow in the current quarter largely resulted from funding gross Loans of $5,461,000. In the first quarter of 2009, the net cash inflow principally resulted from collections of gross Loans of $2,494,000 and net earnings. Changes in other operating assets and liabilities are set out in the Company's Consolidated Statements of Cash Flows on page 13 of this report.

Cash outflows from investing activities and the effect of exchange rates changes on cash were not significant in the quarters ended March 31, 2010 and 2009.

Net cash inflow from financing activities totalled $7,275,000 in the current quarter compared to a net cash outflow of $3,122,000 last year. In the current quarter, bank indebtedness rose by $7,649,000, principally to fund Loans, while notes payable, net, of $238,000 were issued. Offsetting these cash inflows, were dividend payments of $612,000. In the first quarter of 2009, $1,292,000 of notes payable, net, were redeemed, bank indebtedness was reduced by $1,046,000, while dividends of $613,000 were paid and common shares repurchased under the Bid at a cost of $171,000.

Overall, there was a $1,751,000 increase in cash balances in the current quarter compared to a $99,000 increase in the first quarter of 2009.

Contractual Obligations and Commitments at March 31, 2010

(in thousands)	Payments due in Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Operating lease obligations	$ 326	$ 510	$ 243	$ 230	$ 1,309
Purchase obligations	187	53	—	—	240
Total	$ 513	$ 563	$ 243	$ 230	$ 1,549

Related Party Transactions

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand and bear interest at the bank prime rate less one half of one percent per annum, which is below the rate of interest charged by the Company's banks. Notes payable at March 31, 2010 decreased by $197,000 to $9,475,000 compared with $9,672,000 at March 31, 2009. Of these notes payable, $8,014,000 (2009 - $8,387,000) was owing to related parties and $1,461,000 (2009 - $1,285,000) to third parties. Interest expense on these notes declined to $40,000 in the current quarter compared to $60,000 in the first quarter of 2009 largely as a result of lower interest rates.

Financial Instruments

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

At March 31, 2010, the Company had outstanding forward foreign exchange contracts with a financial institution that must be exercised by the Company between April 1 and May 28, 2010 and which oblige the Company to sell Canadian dollars and buy US$415,000 at exchange rates ranging from 1.0691 to 1.0908. These contracts were entered into on behalf of clients and similar contracts were entered into between the Company and the clients to sell US$415,000 to and buy Canadian dollars from the clients. The contracts are discussed further in note 12 to the Statements. As at March 31, 2009, the Company did not have any outstanding forward foreign exchange contracts.

Critical Accounting Policies and Estimates

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

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

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

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

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

Future Changes in Accounting Policies

Transition to International Financial Reporting Standards

Canadian public companies will be required to prepare their financial statements in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its financial statements and will issue its financial results for the quarter ended March 31, 2011 prepared on an IFRS basis. The Company will also provide comparative financial information on an IFRS basis, including an opening balance sheet at January 1, 2010. The Company commenced its IFRS transition project in 2008. This project comprises four key phases:

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

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

- Design, planning and solution development – this phase focuses on determining the specific impacts on the Company based on application of the IFRS requirements. This included the development of detailed solutions and work plans to address implementation requirements. While no changes in accounting policies are currently anticipated, first-time adoption exemptions have been identified and draft financial statements and note disclosures will be developed.

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

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

Based on the current information available, the Company has compared the accounting policies that it presently follows under GAAP with the proposed accounting policies under IFRS. At this point in time, no changes in the current accounting policies are expected on adoption of IFRS although new International Accounting Standards ("IAS") may be introduced in the future which may result in changes. The Company is, however, continuously monitoring information to determine or estimate the impact on its financial position and financial performance for any of the IFRS conversion changes identified. In particular, the Company will review new IAS that are introduced in the future to determine their impact on the Company.

Under IFRS 1, "First time adoption of International Financial Reporting Standards", the Company has a choice to elect to reset cumulative translation adjustment component of its accumulated other comprehensive loss to zero on the transition date with the amount being adjusted to opening retained earnings. The Company intends to make this election.

Since the Company does not anticipate any major changes in the accounting policies due to the changeover to IFRS, changes in the financial reporting obligations under contractual arrangements along with changes to the financial covenants is not anticipated.

While there certainly will be changes in the disclosure and notes requirements as stipulated by IFRS, the Company does not anticipate any major changes in the business processes and information technology systems leading to the collection of information for the purpose of IFRS related reporting. The Company will start preparing its 2010 IFRS compliant figures for comparative purposes by mid-2010. The Company does not envisage any significant change in its internal control over financial reporting and its disclosure and control procedures as it does not anticipate any major changes in its accounting policies and business processes at this time. The Company's Board of Directors and Audit Committee have been regularly briefed about the progress made in transitioning to IFRS. IFRS skills are being upgraded on a continuous and ongoing basis.

Risks and Uncertainties That Could Affect Future Results

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

Competition

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

Economy

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

Credit risk

The Company is in the business of factoring its clients' receivables and making asset-based loans. The Company's portfolio totalled approximately $258 million at March 31, 2010. Operating results may be adversely affected by significant bankruptcies and/or insolvencies. Please refer to note 15(a) to the Statements.

Interest rate risk

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

Foreign currency risk

The Company transacts internationally. Accordingly, a portion of its financial resources are held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and attempt to neutralize the impact of foreign exchange movements on its operating results where possible. In recent years, the Company has seen the weakening of the U.S. dollar against the Canadian dollar adversely affect its operating results when its U.S. subsidiary's results are translated into Canadian dollars. It has also caused a significant decrease in the value of the Company's net Canadian dollar investment in its U.S. subsidiary, which has reduced the accumulated other comprehensive income or loss component of shareholders' equity to a loss position. Please refer to notes 13 and 15(c)(i) to the Statements.

Potential acquisitions and investments

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

Personnel significance

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

Outlook

The Company's principal objective is managed growth – putting quality new business on the books while maintaining high underwriting standards. Marketing initiatives and alliances continue. We are seeing increased deal flow in our recourse factoring business and our profile is increasing as the credit and capital markets remain depressed. Meanwhile, our non-recourse subsidiary is achieving record factoring volumes as international business and the demand for its credit guarantee services rises in the current adverse economic climate. Increased factoring volume has favorably impacted revenue in the current quarter, although it is noted that low interest rates continue to have an adverse impact.

The quality of the Company's portfolio has been steadily improving and non-earning loans are a much smaller percentage of the Company's total portfolio than they were a year ago. Many large industry players are currently having trouble securing funding and smaller finance companies are exiting the industry as a result of adverse economic and credit conditions. Accord, with its substantial capital and borrowing capacity, is well positioned to capitalize on these market opportunities.

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

Stuart Adair

Stuart Adair
Chief Financial Officer
May 5, 2010

Consolidated Balance Sheets (unaudited)

	March 31 2010	March 31 2009	December 31 2009
			(Audited)
Assets			
Factored receivables and loans, net (note 4)	$ 94,019,998	$ 98,911,004	$ 89,906,633
Assets held for sale (note 5)	4,867,811	—	4,996,716
Cash	2,090,061	1,092,230	339,267
Other assets	408,016	282,775	302,742
Income taxes receivable	—	115,425	284,886
Future income taxes, net	566,415	232,859	576,375
Capital assets	501,265	599,015	520,129
Goodwill	976,892	1,212,989	1,010,744
	$ 103,430,458	$ 102,446,297	$ 97,937,492
Liabilities			
Bank indebtedness	$ 44,070,167	$ 35,116,659	$ 36,798,397
Due to clients	2,420,968	4,535,133	4,517,282
Accounts payable and other liabilities	3,004,016	2,252,330	3,266,477
Income taxes payable	266,025	—	—
Deferred income	931,212	873,401	746,273
Notes payable	9,475,115	9,671,769	9,253,501
	60,167,503	52,449,292	54,581,930
Shareholders' equity			
Capital stock (note 8(a))	6,908,481	6,710,683	6,908,481
Contributed surplus	42,840	82,225	42,840
Retained earnings	44,782,293	44,060,141	43,783,131
Accumulated other comprehensive loss (note 13)	(8,470,659)	(856,044)	(7,378,890)
	43,262,955	49,997,005	43,355,562
	$ 103,430,458	$ 102,446,297	$ 97,937,492
Common shares outstanding	9,408,971	9,408,871	9,408,971

Notice to Reader

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

Consolidated Statements of Earnings (unaudited)

Three months ended March 31	2010	2009
Revenue		
Factoring commissions, discounts, interest and other income	$ 6,978,924	$ 6,070,895
Expense		
Interest	385,316	300,404
General and administrative	3,571,343	3,474,719
Provision for credit and loan losses	558,959	331,309
Depreciation	32,561	51,302
	4,548,179	4,157,734
Earnings before income tax expense	2,430,745	1,913,161
Income tax expense	820,000	633,000
Net earnings	$ 1,610,745	$ 1,280,161
Earnings per common share (note 9)		
Basic	$ 0.17	$ 0.14
Diluted	$ 0.17	$ 0.14
Weighted average number of common shares (note 9)		
Basic	9,408,971	9,428,549
Diluted	9,408,971	9,444,524

Consolidated Statements of Comprehensive Income (unaudited)

Three months ended March 31	2010	2009
Net earnings	$ 1,610,745	$ 1,280,161
Other comprehensive (loss) income: unrealized foreign exchange (loss) gain on translation of self-sustaining foreign operation	(1,091,769)	1,322,024
Comprehensive income	$ 518,976	$ 2,602,185

Consolidated Statements of Retained Earnings (unaudited)

Three months ended March 31	2010	2009
Retained earnings at January 1	$ 43,783,131	$ 43,543,490
Net earnings	1,610,745	1,280,161
Dividends paid	(611,583)	(613,176)
Premium on shares repurchased for cancellation (note 8(b))	—	(150,334)
Retained earnings at March 31	$ 44,782,293	$ 44,060,141

Consolidated Statements of Cash Flows (unaudited)

Three months ended March 31	2010	2009
Cash provided by (used in)		
Operating activities		
Net earnings	$ 1,610,745	$ 1,280,161
Items not affecting cash		
Allowance for losses, net of charge-offs and recoveries	95,557	324,349
Deferred income	189,071	38,549
Depreciation	32,561	51,302
Future income tax (recovery)	(7,038)	(18,079)
	1,920,896	1,676,282
Changes in operating assets and liabilities		
Factored receivables and loans, gross	(5,460,751)	2,493,950
Due to clients	(2,074,015)	(76,836)
Income taxes payable/receivable	548,557	140,889
Other assets	(113,592)	(48,123)
Accounts payable and other liabilities	(268,985)	(973,030)
Addition to assets held for sale	(51,748)	—
Sale of assets held for sale	12,353	—
	(5,487,285)	3,213,132
Investing activities		
Additions to capital assets, net	(15,536)	(13,082)
Financing activities		
Bank indebtedness	7,649,448	(1,045,662)
Notes payable issued (redeemed), net	237,416	(1,291,924)
Repurchase and cancellation of shares	—	(171,232)
Dividend paid	(611,583)	(613,176)
	7,275,281	(3,121,994)
Effect of exchange rate changes on cash	(21,666)	20,451
Increase in cash	1,750,794	98,507
Cash at beginning of period	339,267	993,723
Cash at end of period	$ 2,090,061	$ 1,092,230
Supplemental cash flow information		
Interest paid	$ 329,754	$ 244,188
Income taxes paid	$ 296,277	$ 535,654

Notes to Consolidated Financial Statements (unaudited)

Three months ended March 31, 2010 and 2009

1. Description of the business

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

2. Basis of presentation

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

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

3. Significant accounting policies

a) *Basis of consolidation*

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

b) *Accounting estimates*

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

c) *Revenue recognition*

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

d) *Allowances for losses*

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

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

e) *Foreign subsidiary*

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

f) *Derivative financial instruments*

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

g) *Assets held for sale*

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

4. Factored receivables and loans

(in thousands)	Mar. 31, 2010	Mar. 31, 2009	Dec. 31, 2009
Factored receivables	$ 80,266	$ 68,798	$ 73,833
Loans to clients	15,316	33,324	17,602
Factored receivables and loans, gross	95,582	102,122	91,435
Less allowance for losses	1,562	3,211	1,528
Factored receivables and loans, net	$ 94,020	$ 98,911	$ 89,907

The Company's allowance for losses on factored receivables and loans (collectively, "loans") at March 31, 2010 comprised only a general allowance. At March 31, 2009 the allowance for losses comprised a general allowance of $1,759,000 and specific allowances against a number of non-performing loans of $1,452,000. The non-performing loans at March 31, 2009 totalled $7,075,097, net of the specific allowances. Subsequent to March 31, 2009, charge-offs were taken against the non-performing loans which existed at that date and at March 31, 2010 there were no specific allowances outstanding.

The Company has also entered into agreements with clients whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At March 31, 2010, the gross amount of these managed receivables was $162,834,711 (2009 - $151,896,575). At that date, management provided an amount of $1,129,000 (2009 - $813,000) as a general allowance for losses on the guarantee of these managed receivables, which represented the estimated fair value of these guarantees. As these managed receivables are off-balance sheet, this allowance is included in the total of accounts payable and other liabilities.

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

5. Assets held for sale

During May 2009, the Company obtained title to certain long-lived assets securing a defaulted loan. The assets are recorded at their net realizable value as of March 31, 2010, which was based on a recent independent appraisal of, and unaccepted offers received for, the assets. The assets are currently being actively marketed for sale and will be sold as market conditions permit. No impairment charge was booked in respect of the assets in the three months ended March 31, 2010.

6. Income taxes

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

7. Stock-based compensation

The Company accounts for stock-based compensation, including stock option and share appreciation rights ("SARs") grants, using fair value-based methods. Stock options are granted to employees and non-executive directors at prices not less than the market price of such shares on the grant date. These options vest over a period of three years provided certain earnings criteria are met. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the stock options on the grant date. This fair value is expensed over the award's vesting period. The Company has not granted any stock options since May 2004 and at March 31, 2010, 42,000 options expiring on July 5, 2010 remained outstanding with an exercise price of $7.25. The Company has a SARs plan whereby SARs are granted to directors and key managerial employees of the Company. During 2009, 100,000 SARs were granted by the Company to directors and employees at a strike price of $6.03, while in 2008 95,000 SARs were granted at a strike price of $7.25. These are the only SARs granted to date. At March 31, 2010, the 195,000 (2009 – 95,000) outstanding SARs had no intrinsic value. The 82,500 SARs issued to employees were not vested. Changes in the fair value of outstanding SARs are calculated at the balance sheet date and will be recorded in general and administrative expenses ("G&A"), with a corresponding credit to accounts payable and other liabilities.

There was no stock based compensation expense to record in G&A in the quarters ended March 31, 2010 and 2009 with respect of stock option and SARs grants.

8. Capital stock

a) *Issued and outstanding*

The common shares issued and outstanding are as follows:

	2010 Number	2010 Amount
Balance at January 1	9,408,971	$ 6,908,481
Shares repurchased for cancellation	—	—
Balance at March 31	9,408,971	$ 6,908,481

	2009 Number	2009 Amount
Balance at January 1	9,438,171	$ 6,731,581
Shares repurchased for cancellation	(29,300)	(20,898)
Balance at March 31	9,408,871	$ 6,710,683

b) *Share repurchase program*

On August 5, 2008, the Company received approval from the TSX to commence a normal course issuer bid (the "2008 Bid") for up to 477,843 of its common shares at prevailing market prices on the TSX. The 2008 Bid commenced August 8, 2008 and terminated on August 7, 2009. Under the 2008 Bid, the Company repurchased and cancelled 183,500 shares at an average price of $6.10 per share for total consideration of $1,120,171. This amount was applied to reduce share capital by $130,877 and retained earnings by $989,294.

On August 5, 2009, the Company received approval from the TSX to commence a new normal course issuer bid (the "2009 Bid") for up to 471,118 of its common shares at prevailing market prices on the TSX. The 2009 Bid commenced on August 8, 2009 and will terminate on August 7, 2010 or the date on which a total of 471,118 common shares have been repurchased pursuant to its terms. All shares repurchased pursuant to the 2009 Bid will be cancelled. To March 31, 2010, the Company repurchased and cancelled 13,400 common shares acquired under the 2009 Bid at an average price of $5.27 per common share for total consideration of $70,618. This amount was applied to reduce share capital by $9,818 and retained earnings by $60,800.

The Company did not repurchase any common shares during the quarter ended March 31, 2010. During the quarter ending March 31, 2009, the Company repurchased and cancelled 29,300 common shares acquired under the 2008 Bid at an average price of $5.84 per common share for a total consideration of $171,232, which was applied to reduce share capital by $20,898 and retained earnings by $150,334.

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

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

Three months ended March 31	2010	2009
Basic weighted average number of common shares outstanding	9,408,971	9,428,549
Effect of dilutive stock options	—	15,975
Diluted weighted average number of common shares outstanding	9,408,971	9,444,524

All 42,000 outstanding options were excluded from the calculation of diluted shares outstanding in the quarter ended March 31, 2010, because they were anti-dilutive for earnings per common share purposes. The same options were also excluded in the quarter ended March 31, 2009.

10. Contingent liabilities

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

b) At March 31, 2010, the Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $1,023,463 (2009 - $1,289,212). These amounts have been considered in determining the allowance for losses on factored receivables and loans.

11. Segmented information

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

Three months ended March 31, 2010

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 57,457	$ 45,973	$ —	$ 103,430
Revenue	$ 4,744	$ 2,235	$ —	$ 6,979
Expenses				
Interest	342	43	—	385
General and administrative	2,659	912	—	3,571
Provision for credit and loan losses	387	172	—	559
Depreciation	28	5	—	33
	3,416	1,132	—	4,548
Earnings before income tax expense	1,328	1,103	—	2,431
Income tax expense	422	398	—	820
Net earnings	$ 906	$ 705	$ —	$ 1,611

Three months ended March 31, 2009

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 53,548	$ 48,898	$ —	$ 102,446
Revenue	$ 4,058	$ 2,013	$ —	$ 6,071
Expenses				
Interest	270	31	—	301
General and administrative	2,443	1,032	—	3,475
Provision for credit and loan losses	285	46	—	331
Depreciation	42	9	—	51
	3,040	1,118	—	4,158
Earnings before income tax expense	1,018	895	—	1,913
Income tax expense	323	310	—	633
Net earnings	$ 695	$ 585	$ —	$ 1,280

12. Financial instruments

The Company has entered into forward foreign exchange contracts with a financial institution which must be exercised by the Company between April 1 and May 28, 2010 and which obligate the Company to sell Canadian dollars and buy US$415,000 at exchange rates ranging from 1.0691 to 1.0908. 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$415,000 to the clients. The favorable and unfavorable fair values of these contracts have been recorded on the Company's balance sheet in other assets and accounts payable and other liabilities, respectively. There has been no foreign exchange gain or loss to the Company as a result of entering into these contracts. The Company had no forward foreign exchange contracts outstanding at March 31, 2009.

13. Accumulated other comprehensive loss

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

	2010	2009
Balance at January 1	$ (7,378,890)	$ (2,178,068)
Unrealized foreign exchange (loss) gain on translation of self-sustaining foreign operation in the quarter ended March 31	(1,091,769)	1,322,024
Balance at March 31	$ (8,470,659)	$ (856,044)

14. Fair values of financial assets and liabilities

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

15. Financial risk management

The Company is exposed to credit, liquidity and market risks related to the use of financial instruments in its operations. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework through its Audit Committee. 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, managed receivables and any other counterparty the Company deals with. The carrying amount of these loans represents the Company's maximum credit exposure and is the most significant measurable risk that it faces. The nature of the Company's factoring and asset-based lending business involves funding or assuming credit risk on the receivables offered to it by its clients, as well as to finance other assets, such as inventory and equipment. Typically, the Company takes title to the factored receivables and collateral security over the other assets that it lends against and does not lend on an unsecured basis. It does not take title to the managed receivables as it does not lend against them, but it assumes the credit risk from the client in respect of these receivables.

Credit 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, by the Company's President and the Chairman of its Board. Credit in excess of $2.5 million is also approved by the Company's Credit Committee, which comprises three members of the Company's Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has in place procedures for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. The Company's primary focus continues to be on the credit worthiness and collectibility of its clients' receivables.

Monitoring and communicating with its clients' customers is measured by, amongst other things, an analysis which indicates the amount of receivables current and past due. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. Of the total managed receivables for which the Company guarantees payment, 2.5% (2009 – 2.6%) were past due more than 60 days at March 31, 2010. In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

The Company employs a client rating system to assess credit risk in its recourse factoring business, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, principally its clients' receivables, while in its non-recourse factoring business it employs a customer credit scoring system to assess the credit risk associated with those client receivables that it guarantees (namely, the managed receivables). Credit risk is primarily managed by ensuring that the receivables factored are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. The Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. For a factoring company, 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 to $10,000,000 the maximum amount it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, and charging back or making receivables ineligible for lending purposes as they become older. The Company will also confirm the validity of the receivables that it purchases. In its non-recourse business, exposure to certain customers upon which credit guarantees have been granted may exceed $10 million. All customer credit in excess of $2.5 million is also approved by the Company's Credit Committee on a case by case basis. At March 31, 2010, the Company had guaranteed accounts receivable in excess of $10 million in respect of three customers.

The following table summarizes the Company's credit exposure relating to its factored receivables and loans by industrial sector at March 31, 2010.

Industrial Sector (in thousands)	Gross factored receivables and loans	% of total
Manufacturing	$ 37,436	39
Financial and professional services	26,121	27
Wholesale and distribution	21,061	22
Transportation	5,527	6
Other	5,437	6
	$ 95,582	100

The following table summarizes the Company's credit exposure relating to its managed receivables at March 31, 2010 by industrial sector.

Industrial Sector (in thousands)	Managed receivables	% of total
Retail	$ 139,656	86
Engineering	13,114	8
Other	10,065	6
	$ 162,835	100

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

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, notes payable, due to clients, and accounts payable and other liabilities. Revolving credit lines totaling approximately $101 million have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. At March 31, 2010, the Company had borrowed approximately $44 million (2009 - $35 million) against these facilities. These lines of credit are collateralized primarily by factored receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit as at March 31, 2010 and 2009. Notes payable are due on 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, 2010, 85% of these notes were due to related parties and 15% to third parties. Due to clients principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a week of receipt. Accounts payable and other liabilities comprise a number of different obligations the majority of which are payable within six months.

The Company had gross factored receivables and loans totalling $96 million at March 31, 2010, which substantially exceeded its total liabilities of $60 million at that date. The Company's receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

c) Market risk

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

i) *Currency risk*

The Company is exposed to currency risk primarily in its self-sustaining U.S. subsidiary, which operates exclusively in U.S. dollars, to the full extent of the U.S. subsidiary's net assets of approximately US$31 million at March 31, 2010. The Company's investment in its U.S. subsidiary is not hedged as it is long-term in nature. Unrealized foreign exchange gains or losses arise on translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary into Canadian dollars at balance sheet date. Resulting foreign exchange gains or losses are credited or charged to other comprehensive income or loss with a corresponding entry to the accumulated other comprehensive income or loss component of shareholders' equity. See note 13. The Company is also subject to foreign currency risk on the earnings of its U.S. subsidiary, which are unhedged. Based on the U.S. subsidiary's results in the quarter ended March 31, 2010, a one cent change in the U.S. dollar against the Canadian dollar would change the Company's annual net earnings by approximately $27,000. It would also change other comprehensive income or loss and the accumulated other comprehensive income or loss component of shareholders' equity by approximately $310,000.

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally factored receivables and loans, cash, bank indebtedness and due to clients. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time-to-time to hedge its currency risk when there is no economic hedge. At March 31, 2010, the Company's unhedged foreign currency positions in its Canadian operations approximated $145,000 (2009: $110,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis when necessary to address short-term imbalances. The impact of a one percent change in the value of the Canadian dollar on its unhedged foreign currency position would not have a material impact on the Company's net earnings.

ii) *Interest rate risk*

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

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

The following table shows the interest rate sensitivity gap at March 31, 2010:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	Non-rate sensitive	Total
Assets					
Factored receivables and loans, net	$ 89,641	$ 935	$ 3,050	$ 394	$ 94,020
Assets held for sale	—	—	—	4,868	4,868
Cash	858	—	—	1,232	2,090
All other assets	—	—	—	2,452	2,452
	90,499	935	3,050	8,946	103,430
Liabilities					
Bank indebtedness	32,896	11,174	—	—	44,070
Due to clients	—	—	—	2,421	2,421
Notes payable	9,475	—	—	—	9,475
All other liabilities	—	—	—	4,201	4,201
Shareholders' equity	—	—	—	43,263	43,263
	42,371	11,174	—	49,885	103,430
	$ 48,128	$(10,239)	$ 3,050	$(40,939)	$ —

Based on the Company's interest rate positions as at

March 31, 2010, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $380,000 over a a one year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

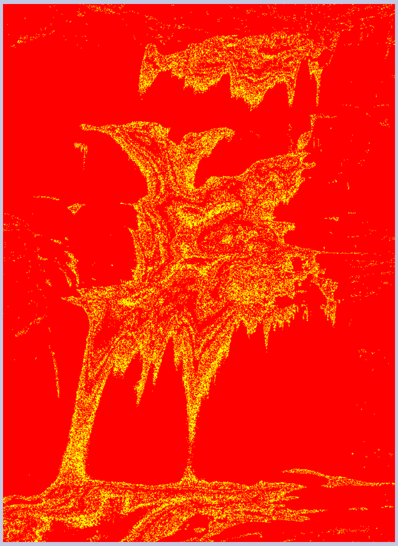
16. Capital disclosures

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt. The Company monitors the ratio of its equity to total assets, principally factored receivables and loans, and its debt to shareholders' equity. As a percentage, the ratios totalled 42% (2009 - 49%) and 124% (2009 - 90%), respectively, at March 31, 2010 indicating the Company's continued financial strength and overall low degree of leverage. The Company's debt, and leverage, will usually rise with an increase in factored receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at March 31, 2010, AFIC is required to maintain a debt to TNW ratio of less than 4.0, while AFIU is required to maintain a minimum TNW of US$18 million and a ratio of total liabilities to TNW of less than 3.0. The Company was fully compliant with its banking covenants at March 31, 2010 and 2009. There were no changes in the Company's approach to capital management from the previous year.

17. International financial reporting standards ("IFRS")

The CICA will transition financial reporting for Canadian public entities to IFRS effective for fiscal years beginning on or after January 1, 2011. The impact of the transition on the Company's consolidated financial statements is being determined. The Company has completed the diagnostic assessment phase by identifying the differences between GAAP and IFRS. Given the present IFRS framework applicable at this time, the Company has identified first time adoption exemptions applicable to the Company and the financial statement and note disclosures that are required. Based on the current information available, no changes in the Company's accounting policies or business processes are anticipated when transitioning to IFRS. However, the Company will review new International Accounting Standards that are introduced in the future to determine if they have any impact on the Company.



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