Third Quarter Report ■ September 30, 2011

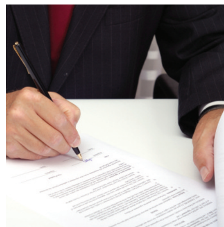
ENDURING STRENGTH

Quick Response

Superior Client Service

Experienced Management

International Services



Innovative Solutions

Financial Strength

Long-Term Relationships

ACCORD FINANCIAL

Keeping Business Liquid

KEEPING BUSINESS LIQUID

Enclosed are the unaudited financial statements, as well as Management's Discussion and Analysis, for the quarter and nine months ended September 30, 2011 together with comparative figures for the same periods of 2010. The Company adopted International Financial Reporting Standards on January 1, 2011, with a transition date of January 1, 2010, and the financial statements presented herein have been prepared thereunder.

Net earnings for the third quarter of 2011 rose by 64% to a third quarter record $2,248,000 compared with $1,367,000 in the same quarter of 2010 on lower expenses as discussed above. Earnings per share were a third quarter record 25 cents this year compared with 15 cents last year.

Factoring volume for the third quarter of 2011 decreased 10% to $524 million compared to $582 million in last year's third quarter on lower non-recourse volume. Revenue declined by 10% to $7,342,000 in the third quarter compared to a record $8,141,000 last year mainly on lower non-recourse volume. Our interest cost rose to $523,000 compared to $476,000 a year ago, largely due to higher average borrowings. Overhead costs, comprising general and administrative expense including depreciation, declined 13% from last year's third quarter to $3,325,000. The provision for credit and loan losses, which includes changes in reserves, or allowances for losses, decreased to $181,000 in the third quarter of 2011 compared to $602,000 in 2010 largely due to a reduction in reserves required in the quarter. There was no impairment charge on the assets held for sale in the quarter compared to a charge of $1,151,000 in last year's third quarter.

Third quarter revenue and net earnings in Canada were $5,170,000 and $1,458,000, respectively, compared to $5,255,000 and $932,000, respectively, in the third quarter of 2010. They were $2,181,000 and $790,000, respectively, in our U.S. operation compared to $2,886,000 and $435,000, respectively, last year.

The Company's gross factored receivables and loans, plus assets held for sale (which resulted from a foreclosed loan), at September 30, 2011 were up slightly to $114 million compared to $112 million a year ago. Adding managed receivables to these figures, the Company's total "at risk" portfolio declined to $256 million at September 30, 2011 compared with $299 million last year as managed receivables decreased on lower non-recourse business. Total shareholders' equity was $47 million at September 30, 2011 compared to $46 million at September 30, 2010. Book value per share was higher at $5.42 versus $4.89 a year ago as equity rose and the number of common shares outstanding declined 7% as a result of shares repurchased and cancelled under the Company's issuer bids.

Net earnings for the first nine months of 2011 were slightly lower at $5,240,000 compared to the record $5,283,000 earned in the comparable period of 2010. Despite slightly lower earnings, earnings per share were a nine month record 59 cents this year, 5% higher than the 56 cents earned last year as a result of a reduced share count.

Factoring volume for the first nine months of 2011 declined by 8% to $1,461 million compared with $1,588 million in 2010 on lower non-recourse volume. Revenue was lower at $21,037,000 this year, down 9% from $23,190,000 last year as a result of decreased non-recourse volume, somewhat lower recourse factoring yields and reduced miscellaneous fees. Interest expense rose to $1,562,000 from $1,270,000 in 2010. Overhead costs decreased 9% to $10,116,000 in 2011 compared with $11,104,000 in 2010. The provision for credit and loan losses in the first nine months of 2011 declined to $1,198,000 compared with $1,671,000

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in the same period of 2010 on a reduction in reserves no longer required this year. In 2011, an impairment charge of $462,000 was taken against the assets held for sale, down from $1,151,000 last year, as appraisals thereof determined that their net realizable value had declined below book value.

For the first nine months of 2011, Canadian revenue and net earnings were $14,757,000 and $3,512,000, respectively, versus $14,997,000 and $3,089,000, respectively, for the same period of 2010. U.S. revenue and net earnings were lower at $6,289,000 and $1,728,000, respectively, compared with $8,193,000 and $2,194,000, respectively, last year.

At the close of our second quarter I volunteered comment that the global economic recovery was looking “rather anemic”. Now it is quite clear that the recovery has stalled. We are seeing evidence of that in Canada where the second quarter revealed negative GDP growth and the quarter just ended was also very weak. We are also seeing evidence of that in the U.S. which is in danger of re-entering a recession. China’s rate of growth is slowing and, of course, the Eurozone is still in crisis. Pessimism everywhere trumps the dwindling cadre of optimists. Certainly world stock markets have not been positive in the last few months.

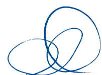
Where does that leave your Company? You guessed it. I am optimistic it leaves Accord in a good position to capitalize on opportunities as long as we stick to our tried and true risk/reward balance — which is what we are doing. As you know, our business actually grows more when the economies in which we operate are changing, whether they are growing rapidly or shrinking. When we are in a period of rapid growth, opportunities to support expanding businesses abound. Since we move more quickly than most of our competitors, we attract the more promising prospects. When the economy is shrinking, we always see our bank and credit insurance competitors overreacting and becoming more conservative. This leaves us an opening to attract well-run businesses that find themselves unattractive to the banks.

In the U.S. we are beginning to see some signs that the aggressiveness of banks that I have complained about for the last eighteen months is subsiding. This is evidenced by the increasing number of inquiries we are getting and thus the increasing number of new transactions we expect to close. We need this since our U.S. portfolio has seen shrinkage this year. Several of our large clients have been persuaded to move on to less expensive bank facilities well before they would have had that opportunity in previous business cycles. We need to replace that business. Now we are beginning to do just that.

So far we have not witnessed any lessening of competition in Canada, yet we are doing very well especially in our recourse factoring business where the portfolio continues to grow. Its competitive profile keeps improving thanks to increased promotion of our capabilities, the spreading recognition of the Accord brand and, particularly, the very impressive skills and energy of our entire staff. At our non-recourse business, which has been negatively impacted by the aggressive appetite of the credit insurers, we are seeing signs that the worst is behind us. Although the current level of business activity is lower than we would like, there is reason to believe we will soon see a return to satisfying growth thanks to several new marketing initiatives underway.

The record net earnings and earnings per share achieved in the third quarter just ended are very satisfying. For the nine months, net earnings were just below last year’s record, although, on a lower share count, we achieved record earnings per share.

At the Board of Directors meeting held today, a regular quarterly dividend of 7.5 cents per common share was declared payable December 1, 2011 to shareholders of record November 15, 2011.



Tom Henderson
President and CEO

Toronto, Ontario
October 20, 2011

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

Quarter and nine months ended September 30, 2011 compared with quarter and nine months ended September 30, 2010

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 and nine months ended September 30, 2011 compared with the quarter and nine months ended September 30, 2010 and, where presented, the quarter and nine months ended September 30, 2009. 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 October 20, 2011, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements and notes for the quarter and nine months ended September 30, 2011 and 2010 (the "Statements"), which are included as part of this 2011 Third Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2010 audited consolidated financial statements and notes thereto included in the Company's 2010 Annual Report.

The Company adopted International Financial Reporting Standards ("IFRS") effective January 1, 2011, with a transition date of January 1, 2010. The Company's adoption of IFRS is discussed later in this MD&A and in the Statements. It is noted that the 2010 audited consolidated financial statements included in the Company's 2010 Annual Report were prepared in accordance with Canadian generally accepted accounting principles ("Previous GAAP"). The Company has restated its 2010 annual and interim consolidated financial statements prepared in accordance with Previous GAAP to comply with IFRS, thereby effectively transitioning to IFRS on January 1, 2010. As a result, all 2010 comparative financial information presented in this Third Quarter Report was prepared under IFRS. The restatements did not have a significant impact on the Company's financial position or results of operations. Selective financial information for 2009 has also been presented in this MD&A for comparative purposes. The 2009 financial information was prepared in accordance with Previous GAAP. Had equity, net earnings and comprehensive income or loss been prepared in accordance with IFRS for 2009, they would not have been significantly different than those that were reported under Previous GAAP, while revenue would have been the same.

All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated. 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 IFRS.

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.

Additional information pertaining to the Company, including its Annual Information Form ("AIF"), is filed under the Company's profile with SEDAR at www.sedar.com.

Non-GAAP Financial Measures

In addition to the IFRS prepared results and balances presented in the Statements, the Company uses a number of other financial measures to monitor its performance and some of these are presented herein to help the reader better understand certain aspects of the Company's operating performance and financial position. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using these measures and are, therefore, considered to be non-GAAP measures. The Company derives these measures from amounts presented in its Statements, which are prepared under 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 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 equity. Book value

Quarterly Financial Information*

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

Quarter ended		Revenue	Net Earnings	Basic and Diluted Earnings Per Share
2011	**September 30**	**$ 7,342**	**$ 2,248**	**$ 0.25**
	June 30	**6,828**	**1,394**	**0.16**
	March 31	**6,867**	**1,598**	**0.18**
2010	December 31	$ 8,217	$ 2,960	$ 0.32
	September 30	8,141	1,367	0.15
	June 30	8,069	2,307	0.25
	March 31	6,979	1,609	0.17
	Total	$ 31,406	$ 8,243	$ 0.88 **
2009	December 31	$ 6,633	$ 605	$ 0.06
	September 30	5,664	709	0.08
	June 30	5,677	494	0.05
	March 31	6,071	1,280	0.14
	Total	$ 24,045	$ 3,089 **	$ 0.33

* *2009 quarterly financial information was prepared in accordance with Previous GAAP. Had net earnings and earnings per share been prepared in accordance with IFRS for 2009 they would not have been significantly different than those reported above under Previous GAAP. Revenue would have been the same.*

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

per share is the net asset value divided by the number of shares outstanding as of a particular date.

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

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 2010 Annual Report and AIF. Its clients operate in a wide variety of industries, examples of which are set out in note 14(a) to the Statements.

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

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

Results of Operations

Quarter ended September 30, 2011 compared with quarter ended September 30, 2010

Net earnings for the quarter ended September 30, 2011 increased by 64% to a third quarter record $2,248,000 compared to $1,367,000 last year, and were substantially above 2009's third quarter net earnings of $709,000. The increase in net earnings compared to 2010 principally resulted from decreased expenses, while net earnings rose compared to 2009 mainly as a result of higher revenue and lower expenses. Earnings per common share were a third quarter record 25 cents compared to 15 cents last year and 8 cents in 2009.

Factoring volume decreased by 10% to $524 million compared to the record $582 million in the third quarter of 2010. Non-recourse volume declined 27% on the departure of a number of clients, while recourse volume increased by 5%. Non-recourse clients departed as a number of previously risky customer accounts improved to credit-worthy status. This saw the credit insurers enter the fray with aggressive rates when the risk dissipated resulting in the Company losing a number of clients.

Revenue declined by $799,000 or 10% to $7,342,000 in the current quarter compared with $8,141,000 last year, while it increased by 30% compared to $5,664,000 in the third quarter of 2009. Revenue principally declined compared to last year as a result of lower non-recourse factoring volume. Revenue increased compared to the third quarter of 2009 principally as a result of higher factoring volume and increased factored receivables and loans (collectively, "Loans" or "funds employed"), as well as improved yields and reduced non-performing Loans.

Total expenses for the third quarter of 2011 decreased by $2,008,000 to $4,030,000 compared to $6,038,000 last year. Last year's third quarter expenses included an impairment charge of $1,151,000; there was no impairment charge in the current quarter. General and administrative ("G&A") expenses decreased by $471,000, while the provision for credit and loan losses declined by $421,000 and depreciation was $12,000 lower. Interest expense was $47,000 higher.

Interest expense increased by 10% to $523,000 compared to $476,000 last year on a 7% rise in average borrowings and somewhat higher interest rates. Borrowings mainly rose to

finance the repurchase of shares under the Company's issuer bids and fund an increase in average Loans.

G&A expenses comprise personnel costs, which represent the majority of G&A expenses, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. G&A expenses declined by 13% to $3,294,000 in the third quarter of 2011 compared to $3,765,000 last year. G&A decreased principally as a result of a stock-based compensation recovery of $198,000 related to the Company's share appreciation rights ("SARs") compared to an expense of $331,000 last year. The recovery in the current quarter resulted from a decline in the Company's share price, while last year's expense was due to a rise in its share price. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses declined to $181,000 in the third quarter of 2011 compared to $602,000 last year due to a reduction in reserves, or allowances for losses, in the quarter compared to an increase in the third quarter of 2010. For the quarters ended September 30, 2011 and 2010, the provision comprised:

	Quarter ended September 30	
(in thousands)	**2011**	2010
Net charge-offs	**$ 401**	$ 197
(Recovery) charge related to change in total allowances for losses (reserves)	**(220)**	405
	$ 181	$ 602

Net charge-offs rose by $204,000 or 104% to $401,000 compared to $197,000 in last year's third quarter, while there was a reserves recovery of $220,000 compared to a reserves expense of $405,000 last year. The Company's allowances for losses are discussed 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 adversely impacted by significant insolvencies. The Company continues to employ a conservative approach to determining its allowances for losses and providing for charge-offs.

During May 2009, the Company obtained title to certain foreclosed assets securing a defaulted loan and is currently actively marketing the assets for sale. No impairment charge was taken against the assets in the current quarter, while an impairment charge of $1,151,000 was taken in the third quarter of 2010.

Income tax expense rose 45% to $1,064,000 in the current quarter compared to $736,000 in the third quarter of 2010 on a 58% rise in pre-tax earnings. The effective tax rate was 32.1% compared to 35.0% last year. It is noted that Canadian tax rates have declined somewhat this year.

Canadian operations reported a 56% increase in net earnings in the third quarter of 2011 compared to 2010 (see note 12 to the Statements). Net earnings increased by $526,000 to $1,458,000 on lower expenses. Revenue declined by 2% or $85,000 to $5,170,000. Expenses decreased by $741,000 to $3,162,000. G&A expenses declined by $477,000 to $2,446,000 as a result of a stock-based compensation recovery compared to an expense in 2010, while the provision for credit and loan losses was $327,000 lower at $244,000. Depreciation decreased $12,000. Interest expense increased by $77,000 to $446,000. Income tax expense rose by 31% or $130,000 to $550,000 on the rise in pre-tax earnings.

U.S. operations reported an 82% increase in net earnings in the third quarter of 2011 compared to 2010. In U.S dollars, AFIU's net earnings increased by 95%. Net earnings rose by $355,000 to $790,000 on lower expenses. Revenue declined by $705,000 or 24% to $2,181,000 principally as a result of lower factoring volume, yields and miscellaneous fee income, which is often unpredictable from period to period. Expenses were $1,258,000 lower in the current quarter compared to 2010; there was no impairment charge in the current quarter, while there was an impairment charge of $1,151,000 last year. The provision for credit and loan losses declined by $94,000 to a recovery of $63,000. Interest expense was $19,000 lower. G&A expenses were $6,000 higher at $848,000. Income tax expense rose by $198,000 or 63% to $514,000 on a 74% increase in pre-tax earnings.

Nine months ended September 30, 2011 compared with nine months ended September 30, 2010

Net earnings for the first nine months of 2011 declined by $43,000 or 1% to $5,240,000 compared to last year's nine month record net earnings of $5,283,000. The decrease in net earnings principally resulted from lower revenue. Earnings per common share were a nine month record 59 cents, 5% higher than the 56 cents earned last year. The increased earnings per share shows the accretive nature of the Company's issuer bids, which are discussed below and in note 9(a) to the Statements.

Factoring volume decreased by $127 million or 8% to $1,461 million compared to the record $1,588 million last year. Non-recourse volume decreased by 20%, while recourse volume increased slightly. Non-recourse volume declined on the departure of a number of clients as discussed above.

Revenue for the current nine month period decreased by $2,153,000

or 9% to $21,037,000 compared with $23,190,000 in the first nine months of 2010. Revenue declined as a result of decreased non-recourse volume, somewhat lower recourse factoring yields, and reduced miscellaneous fee income.

Total expenses for the current nine month period decreased by $1,857,000 or 12% to $13,338,000 compared to $15,195,000 last year. G&A expenses decreased by $960,000, while the provision for credit and loan losses was $473,000 lower. The impairment charge of $462,000 taken against assets held for sale was $689,000 below the $1,151,000 taken last year. Depreciation expense declined by $28,000 to $90,000. Interest expense rose by $293,000.

Interest expense increased 23% to $1,562,000 on higher interest rates and an 11% increase in average borrowings. Borrowings increased as a result of repurchasing shares under the Company's issuer bids, as well as funding new clients in our recourse factoring business.

G&A expenses decreased by 9% to $10,026,000 principally as a result of a $512,000 decline in stock-based compensation expense and the impact of the weaker U.S. dollar this year, which helped reduce the Canadian dollar equivalent of AFIU's G&A expenses by approximately $130,000. 2010's G&A expenses also included severance costs of $109,000.

The provision for credit and loan losses decreased by 28% to $1,198,000 in the current nine month period compared to $1,671,000 last year principally as a result of a reduction in the reserves expense (which results from an increase in allowance for losses) required this year. The provision for credit and loan losses comprised:

	Nine months ended September 30	
(in thousands)	**2011**	2010
Net charge-offs	**$ 1,104**	$ 1,113
Charge related to increase in total allowances for losses (reserves)	**94**	558
	$ 1,198	$ 1,671

Net charge-offs decreased slightly in the current nine months compared to last year, while there was a reduction of $464,000 in the charge related to the rise in the Company's total allowances for losses.

An impairment charge of $462,000 was taken against the assets held for sale in the current nine month period as appraisals thereof determined that their net realizable value had declined below book value. A $1,151,000 charge was taken last year for the same reason (see note 5 to the Statements and discussion below).

Income tax expense declined by $252,000 or 9% to $2,459,000 compared to $2,711,000 in the first nine months of 2011 on a 4% decrease in pre-tax earnings. The effective income tax rate declined to 31.9% compared to last year's 33.9%; Canadian income tax rates were reduced somewhat in 2011.

Canadian operations reported a 14% increase in net earnings in the first nine months of 2011 compared to 2010 (see note 12 to the Statements). Net earnings rose by $423,000 to $3,512,000 compared to $3,089,000 last year as a result of lower expenses. Revenue declined by $240,000 or 2% to $14,757,000 on lower non-recourse volume. Expenses declined by $647,000 or 6% to $9,863,000. G&A expenses decreased by $799,000 for reasons noted above, while the provision for credit and loan losses declined by $136,000 to $956,000. Depreciation was $30,000 lower. Interest expense increased by $318,000 to $1,360,000. Income tax expense was $16,000 lower at $1,382,000 on lower tax rates this year.

U.S. operations reported lower earnings compared to the first nine months of 2010. Net earnings declined by 21% to $1,728,000 compared to $2,194,000 last year. Revenue decreased by $1,904,000 or 23% to $6,289,000 on lower volume, factoring yields and reduced miscellaneous fee income. Expenses declined by $1,202,000 or 26% to $3,484,000 largely as a result of a $689,000 decrease in impairment charge and a $337,000 decline in the provision for credit and loan losses. G&A also decreased by $161,000, while interest expense was $16,000 lower. Income tax expense declined by 18% to $1,077,000 on a 20% decrease in pre-tax earnings. In U.S. dollars, AFIU's net earnings decreased by 17% to US$1,767,000 compared to US$2,119,000 last year.

Review of Balance Sheet

Equity at September 30, 2011 totalled $47,305,000, $2,745,000 above the $44,560,000 at December 31, 2010 and $1,297,000 above the $46,008,000 at September 30, 2010. Book value per common share rose to $5.42 at September 30, 2011 compared to $4.92 at December 31, 2010 and $4.89 a year earlier on the higher equity and a lower outstanding share count. The components of equity are discussed below and Consolidated Statements of Changes in Equity are presented on page 14 of this report which provide details of changes in equity during the nine months ended September 30, 2011 and 2010.

Assets totalled $118,561,000 at September 30, 2011 compared to $113,124,000 at December 31, 2010 and $117,286,000 at September 30, 2010. Total assets largely comprised Loans. Excluding inter-company balances, identifiable assets located in

the United States were 39% of total assets at September 30, 2011 compared with 44% at December 31, 2010 and September 30, 2010.

Gross Loans (funds employed), before the allowance for losses thereon, increased to $110,554,000 at September 30, 2011, 6% higher than the $104,042,000 at December 31, 2010 and 2% above the $108,091,000 at September 30, 2010. As detailed in note 4, the Company's Loans comprised:

(in thousands)	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2010
Factored receivables	**$ 95,688**	$ 86,911	$ 91,762
Loans to clients	**14,866**	17,131	16,329
Factored receivables and loans, gross	**110,554**	104,042	108,091
Less allowance for losses	**1,855**	1,729	1,794
Factored receivables and loans, net	**$ 108,699**	$ 102,313	$ 106,297

The Company's factored receivables rose by 10% to $95,688,000 at September 30, 2011 compared to $86,911,000 at December 31, 2010 and were 4% higher than the $91,762,000 at September 30, 2010. Loans to clients decreased by 13% to $14,866,000 at September 30, 2011 compared to $17,131,000 at December 31, 2010 and were 9% below the $16,329,000 last September 30. Net of the allowance for losses thereon, funds employed totalled $108,699,000 at September 30, 2011, 6% higher than the $102,313,000 at December 31, 2010 and 2% higher than the $106,297,000 at September 30, 2010. 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 120 clients at September 30, 2011. Four clients each comprised over 5% of gross Loans at September 30, 2011, of which the largest client comprised 7%.

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 declined to $142 million at September 30, 2011 compared to $154 million at December 31, 2010 and $187 million at September 30, 2010. As discussed above, the decrease resulted from the departure of a number of clients. Managed receivables comprise the receivables of approximately 160 clients. The 25 largest clients generated 60% of non-recourse volume in the first nine months of 2011. Most of the clients' customers upon which the Company assumes the credit risk are "big box", apparel, home furnishings or footwear retailers in Canada and the United States.

At September 30, 2011, the 25 largest customers accounted for 41% of total managed receivables, of which the largest two customers comprised 18%. 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 gross Loans and managed receivables, declined to $253 million at September 30, 2011 compared to $258 million at December 31, 2010 and $295 million at September 30, 2010.

Credit risk relating to both the Company's recourse and non-recourse factored receivables and asset-based loans is managed in a variety of ways. This is discussed in detail in note 14(a) to the Statements.

After the customary detailed quarter-end review of the Company's $253 million portfolio by its Risk Management Committee, it was determined that all problem loans and accounts had been properly 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 $126,000 or 7% to $1,855,000 at September 30, 2011 compared to $1,729,000 at December 31, 2010 and was 3% above the $1,794,000 at September 30, 2010 on the need for increased allowances resulting from higher Loans. The allowance for losses on the guarantee of managed receivables totalled $1,138,000 at September 30, 2011 and December 31, 2010 but was 17% lower than the $1,366,000 at September 30, 2010 as a result of a 24% decline in managed receivables. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. As these managed receivables are off-balance sheet, this allowance is included in the total of accounts payable and other liabilities. The activity in both allowance for losses accounts for the first nine months of 2011 and 2010 is set out in note 4 to the Statements. The estimates of both allowance for losses are judgmental. Management considers them to be adequate.

Assets held for sale are stated at their net realizable value and totalled $3,497,000 at September 30, 2011 compared to $3,482,000 at December 31, 2010 and $3,514,000 at September 30, 2010. They comprise certain assets securing a defaulted loan upon which the Company's U.S. subsidiary foreclosed and obtained title in 2009. The assets continue to be actively marketed for sale and will be sold as market conditions permit. As noted above, during the nine months ended September 30, 2011 an impairment

charge of $462,000 was taken against the assets compared to $1,151,000 in the nine months ended September 30, 2010. The charges were based on professional appraisals of the assets that showed their net realizable had fallen below book value. Additions to the assets of $309,000 were made during the first nine months of 2011 relating to improvements made to assist in the sale thereof compared to $52,000 in the same period of 2010, while assets held for sale totalling $8,000 were disposed of compared to $240,000 in 2010.

Cash totalled $3,286,000 at September 30, 2011 compared with $4,541,000 at December 31, 2010 and $4,690,000 at September 30, 2010. 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 income taxes receivable, other assets, deferred tax assets, capital assets and goodwill compared to December 31, 2010 and September 30, 2010 were not significant.

Total liabilities increased to $71,256,000 at September 30, 2011 compared to $68,564,000 at December 31, 2010 and were similar to the $71,278,000 at September 30, 2010. The increase from December 31, 2010 principally resulted from higher notes payables and bank indebtedness.

Bank indebtedness rose 4% to $46,510,000 at September 30, 2011 compared to $44,596,000 at December 31, 2010 but was 7% lower than the $50,246,000 at September 30, 2010. Bank indebtedness usually fluctuates with the quantum of Loans outstanding. The Company has credit lines with a number of banks totalling approximately $117 million and was in compliance with all loan covenants thereunder at the above dates. The Company's credit lines are typically renewed for a period of one or two years at a time as circumstances dictate. The Company has no term debt outstanding.

Amounts due to clients decreased somewhat to $4,136,000 at September 30, 2011 compared to $5,113,000 at December 31, 2010 and $5,028,000 at September 30, 2010. 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.

Accounts payable and other liabilities totalled $4,387,000 at September 30, 2011 compared to $6,468,000 at December 31, 2010 and $3,944,000 at September 30, 2010. The balance at December 31, 2010 included an amount of $2,515,000 settled in early January 2011 in respect of shares repurchased in December 2010 under the Company's issuer bid and a full year's profit sharing liability. As noted above, accounts payable and other liabilities include the allowance for losses on the guarantee of managed receivables.

Income taxes payable totalled $359,000 at September 30, 2011 compared to $1,421,000 at December 31, 2010 and $878,000 at September 30, 2010. Substantially higher income taxes were payable at December 31, 2010 as a result of the Company's record earnings in 2010, which were significantly greater than the required tax installment payments. The balance of 2010's income taxes was paid in the first quarter of 2011.

Changes in deferred income were not significant.

Notes payable increased to $14,774,000 at September 30, 2011 compared to $10,142,000 at December 31, 2010 and $10,093,000 at September 30, 2010. The increase in notes payable since December 31, 2010 principally results from receipt of $4,750,000 from a related party. Please see Related Party Transactions section below.

Capital stock decreased to $6,405,000 at September 30, 2011 compared to $6,656,000 at December 31, 2010 and $6,907,000 at September 30, 2010. There were 8,722,698 common shares outstanding at September 30, 2011 compared to 9,065,571 at December 31, 2010 and 9,407,271 a year earlier. The Consolidated Statements of Changes in Equity on page 14 of this report provides details of changes in the Company's issued and outstanding common shares and capital stock for the nine months ended September 30, 2011 and 2010. During the nine months ended September 30, 2011, the Company repurchased and cancelled 342,873 common shares acquired under the Company's issuer bids at a cost of $2,413,130 (an average price of $7.04 per common share). Details of the Company's issuer bids are provided in note 9(a) to the Statements. At the date of this MD&A, October 20, 2011, 8,720,698 common shares were outstanding.

Retained earnings totalled $40,756,000 at September 30, 2011 compared to $39,693,000 at December 31, 2010 and $39,747,000 at September 30, 2010. In the first nine months of 2011, retained earnings increased by $1,064,000, which comprised net earnings of $5,240,000 less the $2,161,000 premium paid on the shares repurchased under the Company's issuer bids and the $2,015,000 of dividends paid (22.5 cents per common share). In the first nine months of 2010, retained earnings increased by $3,346,000,

which comprised net earnings of $5,283,000 less dividends paid of $1,929,000 (20.5 cents per common share) and the $8,000 premium of paid on shares repurchased under the issuer bids. Please see the Consolidated Statements of Changes in Equity on page 14 of this report for details of changes in retained earnings during these periods. The Company's retained earnings were reduced by $7,378,890 on January 1, 2010 upon transition to IFRS (see discussion of accumulated other comprehensive income or loss and adoption of IFRS below and notes 10 and 17 to the Statements).

The Company's accumulated other comprehensive income or loss ("AOCIL") account solely comprises the cumulative unrealized foreign exchange gain or loss arising on the translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary. The Company elected to reset its cumulative translation loss account balance of $7,378,890 at January 1, 2010 to zero upon transition to IFRS. This resulted in a corresponding reduction in retained earnings. There was an accumulated gain of $101,000 at September 30, 2011 compared to an accumulated loss of $1,832,000 at December 31, 2010 and $689,000 at September 30, 2010. These balances represent the cumulative translation gains or losses arising as a result of fluctuations in the U.S. dollar against the Canadian dollar since January 1, 2010. Please refer to note 10 to the Statements and the Consolidated Statements of Changes in Equity on page 14 of this report which presents movements in the AOCIL balance for the nine months ended September 30, 2011 and 2010. The $1,933,000 improvement in the AOCIL position in the first nine months of 2011 resulted from the increase in value of the U.S. dollar against the Canadian dollar. The U.S. dollar strengthened against the Canadian dollar from $0.995 at December 31, 2010 to $1.048 at September 30, 2011. This increased the Canadian dollar equivalent book value of the Company's net investment in its U.S. subsidiary of approximately US$36 million by $1,933,000.

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)	**Sept. 30, 2011**	Dec. 31, 2010	Sept. 30, 2010
Equity / Assets	**40%**	39%	39%
Debt* / Equity	**130%**	123%	131%

**bank indebtedness & notes payable*

The ratios above 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 $117 million at September 30, 2011 and had borrowed $47 million against these facilities. Funds generated through operating activities, notes payable and share issuances decrease the usage of, and dependence on, these lines.

As noted in the Review of Balance Sheet section above, the Company had cash balances of $3,286,000 at September 30, 2011 compared to $4,541,000 at December 31, 2010 and $4,690,000 at September 30, 2010. 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 flows for the quarter ended September 30, 2011 compared with the quarter ended September 30, 2010

Cash inflow from net earnings before changes in operating assets and liabilities totalled $2,289,000 in the third quarter of 2011

compared to $2,660,000 in 2010. After changes in operating assets and liabilities are taken into account, there was a net cash inflow from operating activities of $15,511,000 in the third quarter of 2011 compared to an outflow of $1,294,000 last year. The net cash inflow in the current quarter largely resulted from collections of gross Loans of $12,982,000. In the third quarter of 2010, the net cash outflow principally resulted from financing a rise in gross Loans of $6,263,000. 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 15 of this report.

Net cash outflow from financing activities totalled $16,679,000 in the current quarter compared to an inflow of $2,806,000 last year. The net cash outflow in the current quarter resulted from repayment of bank indebtedness of $15,433,000, the payment of dividends totalling $670,000, the repurchase of shares under the Company's issuer bids at a cost of $471,000, and the net redemption of notes payable of $105,000. In the third quarter of 2010, bank indebtedness rose by $3,446,000, while $68,000 of notes payable, net, were issued. Partly offsetting these inflows were dividend payments of $706,000 and the repurchase of shares under the Company's issuer bids at a cost of $2,000.

Cash outflows from investing activities and the effect of exchange rate changes on cash were not significant in the quarters ended September 30, 2011 and 2010.

Overall, there was a $1,213,000 decrease in cash balances in the current quarter compared to an increase of $1,459,000 in the third quarter of 2010.

Cash flows for the nine months ended September 30, 2011 compared with nine months ended September 30, 2010

Cash inflow from operating activities before changes in operating assets and liabilities totalled $6,030,000 in the first nine months of 2011 compared with $6,882,000 last year. After changes in operating assets and liabilities are taken into account, there was a net cash outflow from operating activities of $1,522,000 in the first nine months of 2011 compared to $8,173,000 last year. The net cash outflow in the current nine months largely resulted from financing an increase in gross Loans of $4,476,000, while in the first nine months of 2010 the net cash outflow arose from financing a $17,275,000 rise in gross Loans. Changes in other operating assets and liabilities are set out in the Company's Consolidated Statements of Cash Flows on page 15 of this report.

Net cash inflow from financing activities totalled $367,000 in the first nine months of 2011 compared to $12,582,000 last year. The net cash inflow in the current nine month period resulted from the $4,592,000 received from the issue of notes payable, net, and bank borrowings of $1,704,000. These inflows were largely offset by the repurchase of common shares acquired under the Company's issuer bids at a cost of $3,914,000 and the payment of dividends totalling $2,015,000. The net cash inflow for the first nine months of 2010 resulted from bank borrowings of $13,671,000 and $850,000 received from the issue of notes payable, net. These inflows were partly offset by the payment of dividends totalling $1,929,000 and the repurchase of 1,700 common shares acquired under the Bid at a cost of $10,000.

Cash outflows from investing activities and the effect of exchange rates changes on cash were not significant in the nine months ended September 30, 2011 and 2010.

Overall, there was a $1,255,000 decrease in cash balances in the first nine months of 2011 compared to an increase of $4,351,000 in the first nine months of 2010.

Contractual Obligations and Commitments at September 30, 2011

	Payments due in				
(in thousands)	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	**Total**
Operating lease obligations	$ 329	$ 519	$ 517	$ 165	**$ 1,530**
Purchase obligations	97	—	—	—	**97**
Total	$ 426	$ 519	$ 517	$ 165	**$ 1,627**

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 rates at or below the rates charged by the Company's banks. Notes payable increased by $4,681,000 to $14,774,000 at September 30, 2011 compared with $10,093,000 at September 30, 2010. Of these notes payable, $13,396,000 (2010 – $8,118,000) was owing to related parties and $1,378,000 (2010 – $1,975,000) to third parties. Interest expense on these notes in the current quarter and first nine months of 2011 totalled $105,000 (2010 – $58,000) and $243,000 (2010 – $146,000), respectively. Interest expense rose this year as a result of the increased balance payable and higher interest rates.

Financial Instruments

All financial assets and liabilities, with the exception of cash, derivative financial instruments, the allowance for losses on the

guarantee of managed receivables and the Company's SARs liability, are recorded at amortized cost. The exceptions noted are recorded at fair value.

At September 30, 2011, the Company had no outstanding forward foreign exchange contracts. Contracts outstanding at December 31, 2010 and September 30, 2010 are discussed in note 13 to the Statements.

Critical Accounting Policies and Estimates

Critical accounting estimates represent those estimates that are highly uncertain, changes in which 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 has fallen below its book value. Similarly, a specific allowance may be established against managed receivables when a debtor becomes insolvent and payments are required to clients under the Company's guarantees to them. 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 based on historic loss experience and 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 and does not consider it reasonably likely that the Company's material assumptions will change. 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 be payable.

Changes in Accounting Policies

Adoption of International Financial Reporting Standards ("IFRS")

Canadian public companies are 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. Accordingly, effective January 1, 2011, the Company adopted IFRS as the basis for preparing its financial statements, with a transition date of January 1, 2010. The Statements for the quarter and nine months ended September 30, 2011 and 2010 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the IASB. IFRS 1, First-time Adoption of International Financial Reporting Standards, was applied upon adoption of IFRS, which impacted balances at January 1, 2010 and thereafter. Previously, the Company prepared its annual and interim consolidated financial statements in accordance with Previous GAAP. The Company has restated its 2010 Previous GAAP financial statements to comply with IFRS and the 2010 comparative financial information presented herein is in accordance with IFRS.

The IFRS accounting policies used in preparing the Statements are set out in note 3 thereto. These policies have been applied in preparing under IFRS:

- the Statements, which are for the three and nine months ended September 30, 2011 and the comparative three and nine months ended September 30, 2010; and

- the opening Consolidated Statement of Financial Position on the transition date, January 1, 2010, and the Consolidated Statement of Financial Position at December 31, 2010.

In preparing the opening Consolidated Statement of Financial Position at January 1, 2010, comparative information for the three and nine months ended September 30, 2010 and the financial statements for the year ended December 31, 2010 under IFRS, the Company has restated amounts previously reported in the financial statements prepared in accordance with Previous GAAP to arrive at the IFRS results and balances. The adjustments made had a negligible impact on the Company's equity, net earnings and comprehensive income or loss for the periods noted above (please see note 17 to the Statements).

Guidance for first time adopters of IFRS is set out in IFRS 1, which provides for certain optional exemptions from full retrospective application of IFRS. In preparing these Statements, the Company elected to exercise the following optional exemptions available upon transition to IFRS:

a) Business combinations – IFRS 1 allows a first-time adopter to elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition to IFRS. The Company chose to exercise this election and has not restated business combinations that occurred prior to January 1, 2010;

b) Cumulative translation differences – IFRS 1 allows first-time adopters to elect to reset the cumulative translation adjustment balance to zero at the date of transition to IFRS. The Company chose to exercise this election. Accordingly, the Company's AOCIL account, whose only component was the cumulative translation adjustment loss balance of $7,378,890 at January 1, 2010, was reset to zero on that date, with a corresponding debit to retained earnings; and

c) Share-based payment transactions – IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, Share-based Payment, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested or settled prior to the transition to IFRS. The Company has elected to exercise the IFRS 1 exemption to not apply IFRS 2 retrospectively to awards that vested prior to its January 1, 2010 transition date.

The only change in the Company's accounting policies upon adoption of IFRS is related to the measurement of its SARs liability. Under Previous GAAP, the Company measured its SARs liability using an intrinsic value-based method, while under IFRS the Company now measures its SARs liability at fair value. The impact of this change on the Company's net earnings and financial position has been negligible (please see note 17(d) to the Statements).

The Company has not been affected by any changes in its financial reporting obligations under contractual arrangements or financial covenants as a result of adopting IFRS. Moreover, there have been no changes in the Company's internal control over financial reporting and disclosure controls and procedures.

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 also refer to note 14 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 or 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 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 $253 million at September 30, 2011. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 14(a) to the Statements.

Interest rate risk

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 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 14(c)(ii) to the Statements.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources are held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and attempt to neutralize the impact of foreign exchange movements on its operating results where possible. In recent years, the Company has seen the weakening of the U.S. dollar against the Canadian dollar adversely affect its U.S. subsidiary's operating results when 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 reduced the AOCIL component of equity to a large loss position until this was reset to zero upon transition to IFRS. Please see the discussion on AOCIL above and refer to notes 10 and 14(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. Our Canadian recourse factor, AFIC, continues to see growth in its portfolio and is doing well. Our U.S. recourse factor is beginning to see signs that the aggressiveness of U.S. banks is subsiding resulting in an increased number of enquiries and a higher number of transactions that are expected to close. Meanwhile, our non-recourse factoring business, AFL, is facing intense competition from the credit insurance companies this year, which has resulted in the loss of a number of clients and significant volume so far in 2011. Accordingly, while we should see more robust revenue from our recourse factoring businesses in the last quarter of 2011, our non-recourse business will have its challenges. However, it is ultimately expected that 2011 will be remembered as a successful year.

Accord, with its substantial capital and borrowing capacity, 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
Vice President, Chief Financial Officer
October 20, 2011

Consolidated Statements of Financial Position
(unaudited)

	September 30 2011	September 30 2010	December 31 2010	January 1 2010
Assets				
Factored receivables and loans, net (note 4)	**$ 108,698,644**	$ 106,296,503	$ 102,313,077	$ 89,906,633
Assets held for sale (note 5)	**3,497,024**	3,513,745	3,481,686	4,996,716
Cash	**3,285,989**	4,690,205	4,541,155	339,267
Income taxes receivable	**209,424**	5,369	179,861	606,689
Other assets	**140,167**	204,684	148,433	302,742
Deferred tax assets	**1,258,538**	1,137,878	1,064,636	577,375
Capital assets	**463,016**	447,663	438,547	520,129
Goodwill (note 6)	**1,008,051**	989,586	956,503	1,010,744
	$ 118,560,853	$ 117,285,633	$ 113,123,898	$ 98,260,295
Liabilities				
Bank indebtedness	**$ 46,509,703**	$ 50,245,926	$ 44,595,863	$ 36,798,397
Due to clients	**4,136,293**	5,028,265	5,113,304	4,517,282
Accounts payable and other liabilities	**4,387,045**	3,944,460	6,467,674	3,270,823
Income taxes payable	**358,506**	877,789	1,421,460	321,803
Deferred income	**1,090,278**	1,088,539	824,120	746,273
Notes payable (note 7)	**14,773,974**	10,092,797	10,141,916	9,253,501
	71,255,799	71,277,776	68,564,337	54,908,079
Equity				
Capital stock (note 9)	**6,404,593**	6,907,237	6,656,345	6,908,481
Contributed surplus	**42,840**	42,840	42,840	42,840
Retained earnings	**40,756,201**	39,746,527	39,692,340	36,400,895
Accumulated other comprehensive income (loss) (note 10)	**101,420**	(688,747)	(1,831,964)	—
	47,305,054	46,007,857	44,559,561	43,352,216
	$ 118,560,853	$ 117,285,633	$ 113,123,898	$ 98,260,295
Common shares outstanding	**8,722,698**	9,407,571	9,065,571	9,408,971

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 and nine months ended September 30	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Revenue				
Factoring commissions, discounts, interest and other income	**$ 7,341,838**	$ 8,141,361	**$ 21,037,316**	$ 23,189,517
Expense				
Interest	**523,297**	476,024	**1,562,374**	1,269,923
General and administrative	**3,293,905**	3,765,474	**10,025,501**	10,985,373
Provision for credit and loan losses	**181,100**	601,748	**1,197,860**	1,670,611
Impairment of assets held for sale (note 5)	**—**	1,150,873	**462,026**	1,150,873
Depreciation	**31,369**	43,843	**90,281**	118,650
	4,029,671	6,037,962	**13,338,042**	15,195,430
Earnings before income tax expense	**3,312,167**	2,103,399	**7,699,274**	7,994,087
Income tax expense (note 15)	**1,064,000**	736,000	**2,459,000**	2,711,000
Net earnings	**$ 2,248,167**	$ 1,367,399	**$ 5,240,274**	$ 5,283,087
Basic and diluted earnings per common share	**$ 0.25**	$ 0.15	**$ 0.59**	$ 0.56
Basic and diluted weighted average number of common shares	**8,905,931**	9,407,348	**8,952,283**	9,408,388

Consolidated Statements of Comprehensive Income
(unaudited)

Three and nine months ended September 30	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Net earnings	**$ 2,248,167**	$ 1,367,399	**$ 5,240,274**	$ 5,283,087
Other comprehensive income (loss): unrealized foreign exchange income (loss) on translation of self-sustaining foreign operation	**2,960,488**	(1,158,126)	**1,933,384**	(688,747)
Comprehensive income	**$ 5,208,655**	$ 209,273	**$ 7,173,658**	$ 4,594,340

Consolidated Statements of Changes in Equity
(unaudited)

	Capital Stock					
Nine months ended Sept. 30, 2010	Number of outstanding shares	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income	Total
Balance at January 1, 2010	9,408,971	$ 6,908,481	$ 42,840	$ 36,400,895	$ —	$ 43,352,216
Comprehensive income	—	—	—	5,283,087	(688,747)	4,594,340
Dividends paid	—	—	—	(1,928,727)	—	(1,928,727)
Shares repurchased for cancellation	(1,700)	(1,244)	—	(8,728)	—	(9,972)
Balance at September 30, 2010	9,407,271	$ 6,907,237	$ 42,840	$ 39,746,527	$ (688,747)	$ 46,007,857
Nine months ended Sept. 30, 2011						
Balance at January 1, 2011	**9,065,571**	**$ 6,656,345**	**$ 42,840**	**$ 39,692,340**	**$(1,831,964)**	**$ 44,559,561**
Comprehensive income	**—**	**—**	**—**	**5,240,274**	**1,933,384**	**7,173,658**
Dividends paid	**—**	**—**	**—**	**(2,015,035)**	**—**	**(2,015,035)**
Shares repurchased for cancellation	**(342,873)**	**(251,752)**	**—**	**(2,161,378)**	**—**	**(2,413,130)**
Balance at September 30, 2011	**8,722,698**	**$ 6,404,593**	**$ 42,840**	**$ 40,756,201**	**$ 101,420**	**$ 47,305,054**

Consolidated Statements of Cash Flows
(unaudited)

Three and nine months ended September 30	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Cash provided by (used in)				
Operating activities				
Net earnings	**$ 2,248,167**	$ 1,367,399	**$ 5,240,274**	$ 5,283,087
Items not affecting cash				
Allowance for losses, net of charge-offs and recoveries	**(219,876)**	404,610	**93,614**	557,589
Impairment of assets held for sale	**—**	1,150,873	**462,026**	1,150,873
Deferred income	**115,625**	216,000	**259,434**	344,846
Depreciation	**31,369**	43,843	**90,281**	118,650
Loss on disposal of capital assets	**756**	—	**18,509**	—
Deferred tax recovery	**112,495**	(522,497)	**(134,423)**	(572,888)
	2,288,536	2,660,228	**6,029,715**	6,882,157
Changes in operating assets and liabilities				
Factored receivables and loans, gross	**12,982,244**	(6,263,127)	**(4,475,970)**	(17,274,910)
Due to clients	**(529,039)**	1,101,130	**(1,068,752)**	525,438
Income taxes payable/receivable	**73,016**	283,270	**(1,101,605)**	1,153,500
Other assets	**97,790**	261,308	**12,811**	95,137
Accounts payable and other liabilities	**597,708**	660,916	**(620,654)**	462,251
Additions to assets held for sale	**(959)**	—	**(309,333)**	(51,748)
Sale of assets held for sale	**1,933**	2,408	**11,519**	35,161
	15,511,229	(1,293,867)	**(1,522,269)**	(8,173,014)
Investing activities				
Additions to capital assets, net	**(106,396)**	(11,171)	**(131,051)**	(47,313)
Financing activities				
Bank indebtedness	**(15,433,330)**	3,445,871	**1,704,231**	13,670,723
Notes (redeemed) issued, net	**(104,808)**	67,659	**4,591,607**	849,599
Repurchase and cancellation of shares	**(471,026)**	(1,827)	**(3,914,074)**	(9,972)
Dividends paid	**(670,267)**	(705,560)	**(2,015,035)**	(1,928,727)
	(16,679,431)	2,806,143	**366,729**	12,581,623
Effect of exchange rate changes on cash	**61,541**	(42,368)	**31,425**	(10,358)
(Decrease) increase in cash	**(1,213,057)**	1,458,737	**(1,255,166)**	4,350,938
Cash at beginning of period	**4,499,046**	3,231,468	**4,541,155**	339,267
Cash at end of period	**$ 3,285,989**	$ 4,690,205	**$ 3,285,989**	$ 4,690,205
Supplemental cash flow information				
Interest paid	**$ 504,928**	$ 441,874	**$ 1,541,831**	$ 1,205,657
Income taxes paid	**$ 932,714**	$ 1,063,847	**$ 3,767,587**	$ 2,256,472

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 and statement of compliance

The Company adopted International Financial Reporting Standards ("IFRS") effective January 1, 2011, with a transition date of January 1, 2010. These condensed interim unaudited consolidated financial statements (the "Statements") are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). 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, 2011, as detailed in note 3, and are unchanged from those applied in the first half of 2011. 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 are prepared under IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards, was applied upon adoption of IFRS. These Statements do not include all of the information and footnotes required for full annual financial statements prepared in accordance with IFRS.

Prior to 2011, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Previous GAAP"). Previous GAAP differs in some areas from IFRS. The Company made only one change in accounting policy from those being followed by it under Previous GAAP, namely, the policy relating to stock-based compensation (please see note 3(k)). In preparing these Statements, the Company has taken this change into account, as well as certain exemptions available under IFRS 1 (see note 17(a)), which impact balances at January 1, 2010 and thereafter. In accordance with the IFRS transition rules, the Company has retroactively applied IFRS to restate the comparative financial information presented herein for 2010 from that reported last year in accordance with Previous GAAP.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 17. Note 17 includes reconciliations of equity at January 1, 2010, September 30, 2010 and December 31, 2010, as well as reconciliations of net earnings and total comprehensive income for the three and nine months ended September 30, 2010, and the fiscal year ended December 31, 2010, as reported under Previous GAAP to those now being reported under IFRS.

The preparation of these Statements and the accompanying unaudited notes in accordance with IAS 34 requires management to make estimates and assumptions that affect the amounts reported (see note 3(b)). In the opinion of management, these Statements reflect all adjustments necessary to fairly state the Company's financial 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 financial results expected for the full year.

3. Significant accounting policies

a) *Basis of consolidation*

These 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 are the determination of the allowance for losses relating to factored receivables and loans and to the guarantee of managed receivables (note 4). Management believes that its allowances for losses are adequate.

c) *Revenue recognition*

Revenue principally comprises factoring commissions from the Company's recourse and non-recourse factoring businesses and is measured at the fair value of the consideration received. 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. In its recourse factoring business, additional factoring commissions are charged if the invoice is not paid by the end of the initial discount period. Interest charges on factored receivables and 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 account 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. The allowance for losses on factored 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) *Capital assets*

Capital assets are stated at amortized cost. Depreciation is provided annually over the estimated useful lives of the assets as follows:

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

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

f) *Goodwill*

Goodwill is not amortized, but tested for impairment annually, or more frequently if impairment indicators arise, to ensure that its fair value remains greater than, or equal to, its book value. If its book value exceeds fair value, the excess will be charged against earnings in the period in which the impairment is determined.

g) *Income taxes*

The Company follows the asset and liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized based on temporary differences between the tax and accounting bases of assets and liabilities, as well as losses available to be carried forward to future years for income tax purposes. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are expected to reverse and are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment. To the extent that the realization of deferred tax assets is not considered to be more likely than not, a valuation allowance is provided.

h) *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 or loss.

i) *Foreign currency translation*

Assets and liabilities denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Revenue and expenses are translated into Canadian dollars at the prevailing average monthly exchange rates. Translation gains and losses are credited or charged to earnings.

j) *Earnings per common share*

Earnings per common share are calculated using the treasury stock method to compute the dilutive effect of common share equivalents.

k) *Stock-based compensation*

The Company accounts for share appreciation rights ("SARs") and stock options issued to directors and employees using fair value-based methods. Under Previous GAAP, the Company measured its SARs liability using an intrinsic

value-based method. The impact of this change on the Company's net earnings has been negligible.

l) *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 or loss.

m) *Financial assets and liabilities*

Financial assets and liabilities, with the exception of cash, derivative financial instruments, the allowance for losses on the guarantee of managed receivables and the Company's SARs liability, are recorded at amortized cost. Financial assets and liabilities not measured at amortized cost are recorded at fair value.

n) *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).

o) *Financial instruments - disclosures*

IFRS 7, Financial Instruments – Disclosures, details disclosure requirements in respect of financial instruments that are based on a three-level fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of financial instruments. The fair values for the three levels are based on:

- Level 1 – quoted prices in active markets;
- Level 2 – models using observable inputs other than quoted market prices included within Level 1; and
- Level 3 – models using inputs that are not based on observable market data.

4. Factored receivables and loans

	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2010
Factored receivables	**$ 95,688,033**	$ 86,910,839	$ 91,761,647
Loans to clients	**14,865,611**	17,131,238	16,328,856
Factored receivables and loans, gross	**110,553,644**	104,042,077	108,090,503
Less allowance for losses	**1,855,000**	1,729,000	1,794,000
Factored receivables and loans, net	**$108,698,644**	$102,313,077	$106,296,503

The Company's allowance for losses on factored receivables and loans at the above noted dates comprised only a general allowance. The activity in the allowance for losses on factored receivables and loans account during the nine months ended September 30, 2011 and 2010 was as follows:

	2011	2010
Allowance for losses at January 1	**$ 1,729,000**	$ 1,528,000
Provision for credit and loan losses	**897,615**	1,017,747
Charge-offs	**(878,283)**	(908,457)
Recoveries	**74,282**	171,296
Foreign exchange adjustment	**32,386**	(14,586)
Allowance for losses at September 30	**$ 1,855,000**	$ 1,794,000

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 September 30, 2011, the gross amount of these managed receivables was $142,403,199, while it was $153,861,477 at December 31, 2010 and $187,153,734 at September 30, 2010. At September 30, 2011 and December 31, 2010, management provided an amount of $1,138,000 as a general allowance for losses on the guarantee of these managed receivables, while it provided an amount of $1,366,000 at September 30, 2010. These amounts represent the estimated fair value of the guarantees at those dates. As these managed receivables are off-balance sheet, this allowance is included in the total of accounts payable and other liabilities. The activity in the allowance for losses on the guarantee of managed receivables account during the nine months ended September 30, 2011 and 2010 was as follows:

	2011	2010
Allowance for losses at January 1	**$ 1,138,000**	$ 1,089,000
Provision for credit losses	**300,245**	652,864
Charge-offs	**(337,162)**	(438,688)
Recoveries	**36,917**	62,824
Allowance for losses at September 30	**$ 1,138,000**	$ 1,366,000

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 14(a).

5. Assets held for sale

During 2009, the Company obtained title to certain long-lived assets securing a defaulted loan. The assets are recorded at their net realizable value and are being actively marketed for sale and will be sold as market conditions permit. During the three and nine months ended September 30, 2011, there were additions to the assets totalling $959 (2010 – nil) and $309,333 (2010 – $51,748), respectively, which principally related to improvements made to assist in the sale thereof, while assets of $1,000 (2010 – $969) and $7,789 (2010 – $241,302), respectively, were disposed of during those periods. No impairment charge was taken against the assets during the three months ended September 30, 2011 (2010 – $1,150,873), while an impairment charge of $462,026

(2010 – $1,150,873) was taken during the nine months ended September 30, 2011.

6. Goodwill

Goodwill is tested for impairment annually or more frequently if impairment indicators arise. During 2010, the Company conducted an annual impairment review and determined there was no impairment to the carrying value of goodwill. 2011's impairment review will be conducted in the Company's fourth quarter. The goodwill is carried in the Company's U.S. operations and the differences in the goodwill balances reported in the Consolidated Statements of Financial Position relate to the translation of the goodwill balance of US$961,697 into Canadian dollars at different prevailing period-end exchange rates.

7. 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 and bear interest at or below the rates that the Company pays to its bankers. Notes payable were as follows:

	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2010
Related parties	**$ 13,395,543**	$ 8,157,537	$ 8,118,096
Third parties	**1,378,431**	1,984,379	1,974,701
	$ 14,773,974	$ 10,141,916	$10,092,797

Interest expense on the notes payable for the three and nine months ended September 30, 2011 and 2010 was as follows:

	Three Months		Nine Months	
	2011	2010	**2011**	2010
Related parties	**$ 96,390**	$ 46,829	**$ 215,620**	$ 119,519
Third parties	**8,787**	11,219	**27,630**	26,618
	$ 105,177	$ 58,048	**$ 243,250**	$ 146,137

8. Stock-based compensation

The Company accounts for stock-based compensation, in respect of its SARs and stock option grants, using fair value-based methods. The Company's SARs and stock option plans are discussed in more detail in notes 10(e) and 10(f), respectively, to its audited financial statements for the fiscal year ended December 31, 2010 which were prepared in accordance with Previous GAAP. The following SARs were outstanding:

SARs grant price	Grant date	**Sept. 30, 2011**	Dec. 31, 2010	Sept. 30, 2010
$7.25	May 7, 2008	**57,500**	65,000	72,500
$6.03	July 28, 2009	**70,000**	70,000	77,500
$5.50	May 7, 2010	**140,000**	140,000	155,000
$7.95	May 4, 2011	**152,500**	—	—
$7.56	July 26, 2011	**5,000**	—	—
SARs outstanding		**425,000**	275,000	305,000
SARs vested		**262,500**	155,000	185,000

Changes in the fair value of outstanding SARs are calculated at each balance sheet date and are recorded in general and administrative expenses over the awards vesting period, or immediately if fully vested. During the three and nine months ended September 30, 2011, the Company recorded a stock-based compensation recovery of $198,381 and $97,759, respectively, in respect of its outstanding SARs. During the three and nine months ended September 30, 2010 there was a stock-based compensation expense of $327,601 and $401,134, respectively, in respect of the outstanding SARs.

The Company has not granted any stock options since May 2004 and no options were outstanding as at September 30, 2011 and 2010. There has been no stock-based compensation in respect of stock options since 2007.

9. Capital stock

a) Share repurchase program

On August 5, 2010, the Company received approval from the Toronto Stock Exchange ("TSX") to commence a normal course issuer bid (the "2010 Bid") for up to 470,373 of its common shares at prevailing market prices on the TSX. The 2010 Bid commenced August 8, 2010 and terminated on July 19, 2011 when the Company repurchased and cancelled all of the 470,373 shares permitted. The shares were acquired at an average price of $7.53 per share for a total consideration of $3,540,387. This amount was applied to reduce share capital by $345,369 and retained earnings by $3,195,018.

On August 4, 2011, the Company received approval from the TSX to commence a new normal course issuer bid (the "2011 Bid") for up to 446,845 of its common shares at prevailing market prices on the TSX. The 2011 Bid commenced on August 8, 2011 and will terminate on August 7, 2012 or the date on which a total of 446,845 common shares have been repurchased pursuant to its terms. All shares repurchased pursuant to the 2011 Bid will be cancelled. To September 30, 2011, the Company had repurchased 214,200 common shares acquired under the 2011 Bid at an average price of $6.69 per common share for a total consideration of $1,431,942. This amount was applied to reduce share capital by $157,275 and retained earnings by $1,274,667.

During the nine months ended September 30, 2011, the Company repurchased 342,873 shares acquired under its issuer bids at an average price of $7.04 per common share for a total consideration of $2,413,130. This amount was applied to reduce share capital by $251,752 and retained earnings by $2,161,378. During the nine months ended September 30, 2010, the Company repurchased and cancelled 1,700 shares

acquired under its bids at an average price of $5.87 per common share for a total consideration of $9,972. This was applied to reduce share capital by $1,244 and retained earnings by $8,728.

b) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During the three and nine months ended September 30, 2011, dividends per common share of $0.075 and $0.225, respectively, were declared and paid, while during the three months and nine months ended September 30, 2010 dividends of $0.075 and $0.205, respectively, were declared and paid. Dividends paid during the three months and nine months ended September 30, 2011 totalled $670,267 (2010 - $705,560) and $2,015,035 (2010 - $1,928,727), respectively.

10. Accumulated other comprehensive income or loss

Accumulated other comprehensive income or loss ("AOCIL") comprises the unrealized foreign exchange gain or 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.

The Company elected to reset its cumulative translation adjustment account, the only component of its AOCIL account, to zero upon transition to IFRS on January 1, 2010. See note 17(a). This required a reduction in retained earnings of $7,378,890, being the debit balance of the AOCIL account on that date.

11. 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) The Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $843,441 at September 30, 2011, $1,127,947 at December 31, 2010 and $1,614,480 at September 30, 2010. These amounts have been considered in determining the allowance for losses on factored receivables and loans.

12. Segmented information

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

Three months ended September 30, 2011

(in thousands)	**Canada**	**United States**	**Inter-company**	**Total**
Identifiable assets	**$ 72,337**	**$ 46,224**	**$ —**	**$118,561**
Revenue	**$ 5,170**	**$ 2,181**	**$ (9)**	**$ 7,342**
Expenses				
Interest	**446**	**87**	**(9)**	**524**
General and administrative	**2,446**	**848**	**—**	**3,294**
Provision for credit and loan losses	**244**	**(63)**	**—**	**181**
Depreciation	**26**	**5**	**—**	**31**
	3,162	**877**	**(9)**	**4,030**
Earnings before income tax expense	**2,008**	**1,304**	**—**	**3,312**
Income tax expense	**550**	**514**	**—**	**1,064**
Net earnings	**$ 1,458**	**$ 790**	**$ —**	**$ 2,248**

Three months ended September 30, 2010

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 65,406	$ 51,879	$ —	$ 117,285
Revenue	$ 5,255	$ 2,886	$ —	$ 8,141
Expenses				
Interest	370	106	—	476
General and administrative	2,923	842	—	3,765
Provision for credit and loan losses	571	31	—	602
Impairment of assets held for sale	—	1,151	—	1,151
Depreciation	39	5	—	44
	3,903	2,135	—	6,038
Earnings before income tax expense	1,352	751	—	2,103
Income tax expense	420	316	—	736
Net earnings	$ 932	$ 435	$ —	$ 1,367

Nine months ended September 30, 2011

(in thousands)	**Canada**	**United States**	**Inter-company**	**Total**
Identifiable assets	**$ 72,337**	**$ 46,224**	**$ —**	**$118,561**
Revenue	**$ 14,757**	**$ 6,289**	**$ (9)**	**$ 21,037**
Expenses				
Interest	**1,360**	**212**	**(9)**	**1,563**
General and administrative	**7,473**	**2,552**	**—**	**10,025**
Provision for credit and loan losses	**956**	**242**	**—**	**1,198**
Impairment of assets held for sale	**—**	**462**	**—**	**462**
Depreciation	**74**	**16**	**—**	**90**
	9,863	**3,484**	**(9)**	**13,338**
Earnings before income tax expense	**4,894**	**2,805**	**—**	**7,699**
Income tax expense	**1,382**	**1,077**	**—**	**2,459**
Net earnings	**$ 3,512**	**$ 1,728**	**$ —**	**$ 5,240**

Nine months ended September 30, 2010

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 65,406	$ 51,879	$ —	$ 117,285
Revenue	$ 14,997	$ 8,193	$ —	$ 23,190
Expenses				
Interest	1,042	228	—	1,270
General and administrative	8,272	2,713	—	10,985
Provision for credit and loan losses	1,092	579	—	1,671
Impairment of assets held for sale	—	1,151	—	1,151
Depreciation	104	15	—	119
	10,510	4,686	—	15,196
Earnings before income tax expense	4,487	3,507	—	7,994
Income tax expense	1,398	1,313	—	2,711
Net earnings	$ 3,089	$ 2,194	$ —	$ 5,283

13. Derivative financial instruments

At September 30, 2011, the Company had no outstanding forward foreign exchange contracts, while at December 31, 2010, the Company had entered into a forward foreign exchange contract with a financial institution that matured in April 2011 and which obliged the Company to sell Canadian dollars and buy US$1,000,000 at an exchange rate of 1.0056. At September 30, 2010, the Company had entered into a forward foreign exchange contract with a financial institution that matured in December 2010 and obliged the Company to sell Canadian dollars and buy US$1,000,000 at an exchange rate of 1.0421. 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 U.S. dollars 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 contracts have all been classified as Level 2.

14. 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 factoring and asset-based lending business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. 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, 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. The Company's primary focus continues to be on the creditworthiness and collectability 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 payments terms of 30 to 60 days from invoice date. Of the total managed receivables for which the Company guarantees payment, 3% (2010 – 3%) were past due more than 60 days at September 30, 2011. 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 assesses, 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 the managed receivables that it guarantees. Credit risk is primarily managed by ensuring that, as far as possible, 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 the maximum amount that 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, 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 September 30, 2011, the Company had guaranteed accounts receivable in excess of $10 million in respect of two customers.

The following table summarizes the Company's credit exposure relating to its factored receivables and loans by industrial sector at September 30, 2011:

Industrial sector	Gross factored receivables and loans	% of total
	(in thousands)	
Manufacturing	$ 49,461	45
Financial and professional services	22,761	20
Wholesale and distribution	21,882	20
Transportation	13,389	12
Other	3,061	3
	$ 110,554	100

The following table summarizes the Company's credit exposure relating to its managed receivables by industrial sector at September 30, 2011:

Industrial Sector	Managed receivables	% of total
	(in thousands)	
Retail	$ 135,497	95
Other	6,906	5
	$ 142,403	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 totalling approximately $117,000,000 have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. At September 30, 2011, the Company had borrowed $46,510,000 (2010 – $50,246,000) against these facilities. These lines of credit are collateralized primarily by factored receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit as at September 30, 2011. 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 September 30, 2011, 91% of these notes were due to related parties and 9% 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 few days 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 $110,554,000 at September 30, 2011, which substantially exceeded its total liabilities of $71,256,000 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$36,000,000 at September 30, 2011 (2010 - US$33,000,000). 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 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 accumulated other comprehensive income or loss component of equity. See note 10. The Company is also subject to foreign currency risk on the earnings of its U.S. subsidiary, which are unhedged. Based on the U.S. subsidiary's results for the nine months ended September 30, 2011, a one cent change in the U.S. dollar against the Canadian dollar would change the Company's annual net earnings by approximately $24,000. It would also change other comprehensive income or loss and the accumulated other comprehensive income or loss component of equity by approximately $360,000.

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally factored receivables and loans, cash, bank indebtedness and due to clients. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time-to-time to hedge its currency risk when there is no economic hedge. At September 30, 2011, the Company's unhedged foreign currency positions in its Canadian operations totalled $17,000 (2010 – $169,000). 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 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 (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 equity.

The following table shows the interest rate sensitivity gap at September 30, 2011:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	Non-rate sensitive	Total
Assets					
Factored receivables and loans, net	$107,660	$ 1,048	$ 1,443	$ (1,453)	$108,698
Assets held for sale	—	—	—	3,497	3,497
Cash	887	—	—	2,399	3,286
All other assets	—	209	—	2,871	3,080
	108,547	1,257	1,443	7,314	118,561
Liabilities					
Bank indebtedness	21,552	24,958	—	—	46,510
Due to clients	—	—	—	4,136	4,136
Notes payable	14,774	—	—	—	14,774
All other liabilities	—	358	—	5,478	5,836
Equity	—	—	—	47,305	47,305
	36,326	25,316	—	56,919	118,561
	$ 72,221	$(24,059)	$ 1,443	$(49,605)	$ —

Based on the Company's interest rate positions as at September 30, 2011, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $500,000 over a one year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

15. Income taxes

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

16. Capital disclosure

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: (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 debt to equity and its equity to total assets. As a percentage, these ratios totalled 130% (2010 – 131%) and 40% (2010 – 39%), respectively, at September 30, 2011 indicating the Company's continued financial strength and relative low degree of leverage. The Company's debt, and leverage, will usually rise with an increase in factored receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at September 30, 2011, AFIC is required to maintain a debt to TNW ratio of less than 3.0, while AFIU is required to maintain a minimum TNW of US$25,000,000 and a ratio of total liabilities to TNW of less than 3.0. The Company was fully compliant with its banking covenants at September 30, 2011. There were no changes in the Company's approach to capital management from prior periods.

17. Transition to International Financial Reporting Standards

a) Adoption of IFRS

These Statements are the Company's third condensed interim unaudited consolidated financial statements prepared since the adoption of IFRS on January 1, 2011, with a transition date of January 1, 2010. The IFRS accounting policies set out in note 3 and the elections made under IFRS 1 noted below have been applied in preparing:

i) the condensed interim unaudited consolidated financial statements for the three and nine months ended September 30, 2011 and September 30, 2010;

ii) the opening IFRS Consolidated Statement of Financial Position on the transition date, January 1, 2010; and

iii) the Consolidated Statement of Financial Position at December 31, 2010.

In preparing these Statements, comparative financial results for the three and nine months ended September 30, 2010 and the Consolidated Statements of Financial Position at January 1, 2010, September 30, 2010 and December 31, 2010 have been restated from amounts previously reported in accordance with Previous GAAP to arrive at the comparative IFRS balances for 2010. An explanation of how the transition from Previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in note 17(d) below.

Guidance for first time adopters of IFRS is set out in IFRS 1, which provides for certain optional exemptions from full retrospective application of IFRS. In preparing these Statements, the Company elected to exercise the following optional exemptions:

i) Business combinations – IFRS 1 allows a first-time adopter to elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition to IFRS. The Company chose to exercise this election and has not restated business combinations that occurred prior to January 1, 2010;

ii) Cumulative translation differences – retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effect of Changes in Foreign Currency Rates, from the date of acquisition or from the date the subsidiary was formed. IFRS 1 allows a first-time adopter to reset the cumulative translation adjustment to zero at the date of transition to IFRS. The Company chose to exercise this election. Accordingly, the Company's AOCIL account, whose only component is the cumulative translation adjustment balance, was reset to zero at the Company's January 1, 2010 transition date, with a corresponding entry to retained earnings. As set out in note 10, the impact of this accounting entry was to credit the AOCIL account and debit retained earnings by $7,378,890 on January 1, 2010;

iii) Share-based payment transactions – IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, Share-based Payment, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested or settled before the Company's transition to IFRS on January 1, 2010. The Company elected to exercise the IFRS 1 exemption to not apply IFRS 2 retrospectively to awards that vested or settled prior to January 1, 2010; and

iv) IFRS mandatory exception respecting estimates – hindsight is not used to create or revise estimates. Estimates previously

made by the Company under Previous GAAP were not revised upon adoption of IFRS except where necessary to reflect any differences in accounting policies.

b) *Change in accounting policy*

The only change in accounting policy upon adoption of IFRS was a change relating to the measurement of the Company's SARs liability. Under Previous GAAP, the Company's outstanding cash settled SARs were measured at intrinsic value, while under IFRS they are now measured at fair value (see note 3(k)). The impact of this change on the Company's financial position, net earnings and comprehensive income has been negligible (see note 17(d) below.)

c) *Income tax receivable or payable reclassification*

Under Previous GAAP, income taxes receivable or payable by the Company were netted off against each other to show a net income tax receivable or payable position in the Company's Consolidated Statement of Financial Position. Under IFRS, however, the netting off of income taxes receivable or payable is only allowed if the income taxes are receivable or payable to the same tax authority. These Statements, including comparatives, do not reflect any netting off of income taxes receivable or payable to different tax authorities. Accordingly, comparative amounts for income taxes receivable or payable prepared under Previous GAAP have been restated whereby the amount previously netted off is now shown separately under IFRS as either income taxes receivable or payable. The impact of this immaterial adjustment on the Company's Consolidated Statements of Financial Position results in both income taxes receivable and payable balances being reported.

d) *Reconciliation of Previous GAAP balances and results to IFRS balances and results*

IFRS 1 requires the interim IFRS financial statements to contain certain reconciliations to the most recent Previous GAAP financial statements where prior year comparative financial information prepared under Previous GAAP is restated for IFRS purposes. An entity is required to reconcile its equity under Previous GAAP to its equity in accordance with IFRS at:

i) the date of transition, January 1, 2010;

ii) the end of the comparative interim period, September 30, 2010; and

iii) the end of the comparative annual period, December 31, 2010.

Reconciliations of total comprehensive income prepared under Previous GAAP to that prepared under IFRS are also required for:

i) the comparative three month and nine month interim periods ended September 30, 2010; and

ii) the comparative annual period ended December 31, 2010.

In addition, a reconciliation of cash flows needs to be presented if there are any material adjustments between Previous GAAP and IFRS for the same comparative periods noted above. However, it is noted that the Company's adoption of IFRS did not have any impact on its operating, investing or financing cash flows and, accordingly, there is no reconciliation to present.

The following tables present the Company's reconciliations from Previous GAAP account balances and results to IFRS account balances and results for the above noted 2010 comparative periods for equity, net earnings and comprehensive income:

Reconciliation of equity

(in thousands)	Dec. 31, 2010	Sept. 30, 2010	Jan. 1, 2010
Equity under Previous GAAP	$ 44,575	$ 46,020	$ 43,355
Difference decreasing reported equity: stock-based compensation expense, net of tax	(15)	(12)	(3)
Equity under IFRS	$ 44,560	$ 46,008	$ 43,352

Reconciliation of net earnings

(in thousands)	Year ended Dec. 31, 2010	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2010
Net earnings under Previous GAAP	$ 8,255	$ 1,370	$ 5,292
Difference decreasing reported net earnings: stock-based compensation expense, net of tax	(12)	(3)	(9)
Net earnings under IFRS	$ 8,243	$ 1,367	$ 5,283

Reconciliation of comprehensive income

(in thousands)	Year ended Dec. 31, 2010	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2010
Comprehensive income under Previous GAAP	$ 6,423	$ 212	$ 4,603
Difference decreasing reported comprehensive income: difference in net earnings	(12)	(3)	(9)
Comprehensive income under IFRS	$ 6,411	$ 209	$ 4,594

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