ANNUAL REPORT 2007

Helping North American Business Grow

Recent Transactions

QC
Spice Importer/Food Product Manufacturer
$12 million to repay bank and provide working capital

ON
Baked Goods Manufacturer
$2 million to finance acquisition and integrate operations

ON
Aluminum Products Producer
$3 million to finance acquisitions and growth

QC
Protective Hearing Devices Manufacturer
$1 million to finance growth

QC
Industrial Air and Gas Drying Equipment Manufacturer
$4 million to finance management buyout

QC
Golf Accessory Distributor
$500,000 to finance growth

QC
Household Products
Credit coverage for $15 million of domestic sales

AB
Provider of Oilfield Services, Specializing in Pipeline Development
$3 million to finance expansion into new market niche

ON
Furniture Manufacturer
$1 million to pay off bank after 2 years of losses

ON
Lingerie Distributor
Credit coverage for $20 million of domestic sales

QC
Active Wear Apparel
Credit coverage for $5 million of domestic sales

QC
Handbag and Luggage Distributor
Credit coverage for $15 million of domestic sales

AB
Oilfield Service Provider
$1 million to finance growth

NB
Industrial Safety Services Provider
$250,000 to finance growth

BC
Telecommunications Service Provider
$500,000 to finance growth

ON
Provider of Funding and Marketing Services to Retail Merchants
$5 million to finance expansion into new market niche

BC
Apparel Importer
$3 million to take advantage of seasonal opportunities

NJ
Electronics Distributor
Credit coverage and collections for $10 million in export sales

WA
Outdoor Storage Supplier
$9 million to pay down bank after 3 years of losses

ON
Furniture Manufacturer
$3 million to finance acquisition

CA
Consumer Electronics Importer
$7 million to reduce payables after 3 years of losses

VA
Specialty Textile Manufacturer
$3.5 million to pay off bank and provide working capital after 3 years of losses

CA
Legal Support Services
$7 million to pay off bank after 2 years of losses

OH
Custom Packager to Auto Industry
$5.5 million to pay off bank and provide working capital

KS
Fork Lift Maintenance
$750,000 to reduce payables after 3 years of start up costs

TX
Frames and Art Importer
$9 million to pay off bank after 3 years of losses

IL
Specialty Cell Phone Provider
$4 million to reduce payables after 4 years of start up costs

NC
Physical Therapy Staffing Provider
$5 million to pay off bank and provide working capital

NC
Telecommunications
$2.5 million to pay off lender after 3 years of losses

IL
Lawn and Garden Products Importer and Distributor
$7 million to pay off bank and finance spring season after 2 years of losses

TN
Specialty Chemical Manufacturer
$9 million to pay off banks and provide working capital

NC
Textile Manufacturer
$2 million to pay off lender after 1 year of start up costs

ACCORD
FINANCIAL CORP.

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Financial Services

1 Non-recourse factoring

In its 30 years in operation, Accord has emerged as a front-runner in Canadian non-recourse factoring. The industries we serve range from the old-world economy to the technology of today. We offer more regional representation than our competitors and have one of the top-ranked credit departments in the country with an immense amount of experience and expertise.

2 Recourse factoring

Offered in both the Canadian and U.S. markets, Accord's recourse factoring services focus on small to medium-sized companies which larger asset-based lenders overlook. Our extensive access to capital positions Accord as a very reliable source of funds at competitive rates. We strive to provide superior customer service, flexible solutions and rapid responses, combined with disciplined underwriting.

3 International trade financing

Our international department has received world-wide recognition and quality service awards. Our strong correspondent relationships and financing facilities allow Accord to provide superior service to a growing network of clients, domestic and foreign.

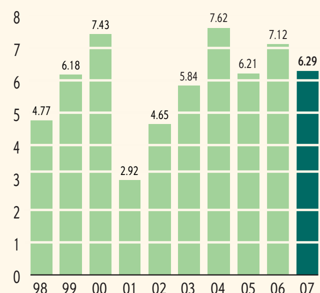
4 Asset-based lending

Accord provides financing against assets such as inventory, equipment and real estate, as well as purchase order financing. Recent expansions in this area of business include providing small and medium sized retailers with inventory financing.

How Our Clients Benefit

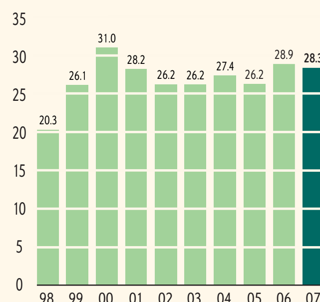
Accord Provides Financial Services	
1 Non-recourse factoring	▪ Outsourcing of accounts receivable departments including the risk of customer default
2 Recourse factoring	▪ Financing by purchasing accounts receivable for cash
3 International trade financing	▪ Providing first-rate services to both exporters and importers
4 Asset-based lending	▪ Financing tangible assets such as inventory, equipment and real estate
Accord Provides Client Benefits	
▪ Access to credit and collection records going back 30 years	▪ Fast credit responses, usually in less than 24 hours
▪ Outstanding customer service offered by highly trained and experienced staff	▪ Clients and customers are treated courteously and professionally
▪ Up to the minute record-keeping	▪ Clients can access their account on-line
▪ Prompt settlement of credit losses	▪ Client business is not unduly affected by bad debts (in the case of guaranteed receivables)
▪ Member of Factors Chain International, a world-wide network of factoring companies, since 1988	▪ Clients can ship to 63 countries and obtain credit protection and collection service as if it were domestic business
▪ Fast due diligence and decision making	▪ Quick response to important credit and loan requests
▪ Shareholders' equity and borrowing capacity of approximately $130 million	▪ Ability to finance your company without interruption subject to a borrowing limit of $10 million
▪ Operations in the United States and Canada	▪ Doesn't matter where you are, we cover from the Rio Grande to the Arctic Circle
▪ Flexible lending criteria	▪ Receivables are our bread and butter, but if extra funding is required we'll look to inventory, equipment and real estate to provide a total financial solution

Financial Highlights



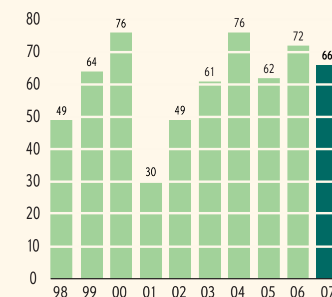
Net Earnings
(in millions of dollars)

Net earnings decreased by 12% to $6.29 million in 2007, but were still the fourth highest ever.



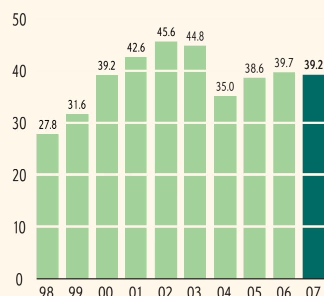
Revenue
(in millions of dollars)

Revenue declined by 2% to $28.3 million in 2007 on somewhat lower yields and the impact of a weaker U.S. dollar.



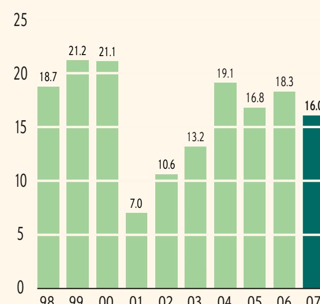
Diluted Earnings per Share
(in cents)

Diluted earnings per share decreased by 8% to 66 cents in 2007 due to a higher provision for losses and interest expense, and lower revenue.



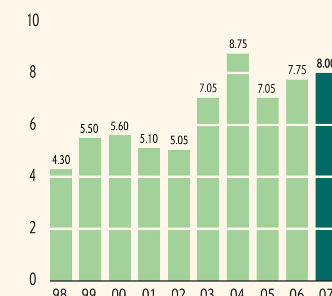
Shareholders' Equity
(at December 31 in millions of dollars)

Shareholders' equity decreased to $39.2 million at Dec. 31, 2007 principally as a result of a $4.6 million decline in accumulated other comprehensive loss.



Return on Equity
(as a percent per annum on average shareholders' equity)

Return on average shareholders' equity was a solid 16.0% in 2007. It has averaged 16.2% over the last 10 years.



Share Price
(close at December 31 in dollars)

During 2007, the Company's share price rose to $8.00. Dividends of 22 cents per share were also paid to shareholders in 2007.

Financial Highlights

	2007	2006	2005
Operating Data Years ended December 31 (in thousands of dollars except where indicated)			
Factoring volume (in millions)	$ 1,497	$ 1,417	$ 1,424
Revenue	28,346	28,864	26,230
Net earnings	6,287	7,117	6,210
Return on average shareholders' equity	16.0%	18.3%	16.8%
Balance Sheet Data At December 31 (in thousands of dollars)			
Total assets	$ 107,133	$ 84,679	$ 90,104
Shareholders' equity	39,197	39,717	38,565
Common Share Data (per common share)			
Earnings - basic	$ 0.66	$ 0.73	$ 0.63
- diluted	0.66	0.72	0.62
Dividends paid	0.22	0.20	0.18
Share price - high	9.45	8.25	8.80
- low	7.72	7.00	6.70
- close at December 31	8.00	7.75	7.05
Book value at December 31	4.15	4.21	3.88

Helping North American Business Grow

The maps used throughout this annual report are representative of Accord's North American reach. Throughout the first 11 pages of this Annual Report are examples of Accord helping businesses across North America grow.

Accord's ability to help companies succeed is not limited to Canada and the United States. Through our affiliation with Factors Chain International our reach is global. We facilitate North American companies developing business outside of their domestic markets. In addition, we facilitate the product and service expansion of North American companies by helping them import from abroad.

Each of Accord's operating companies has success stories of how clients use the Company's resources to expand their reach and develop their potential. Within these pages you will also hear from Accord's management on issues and developments over the past year, with the Management's Discussion and Analysis providing a summary of operations and financial condition in 2007.

Keeping business liquid is our primary goal.

Helping North American Business Grow

"Due to the diligent efforts of our employees, officers and directors the over-all picture for 2007 presented positive signs as we prepared to enter 2008."

~ Ken Hitzig
Accord Financial Corp.

In my letter to you last year I spoke of our plan to build on Accord's 2006 success by increasing earnings in the ensuing year. In what shaped up, however, as a year of economic uncertainty both domestically and globally, Accord found itself faced with challenges that stood in the way of fulfilling its goal. Firstly, the booming Canadian economy flattened out in the fourth quarter and as a result we experienced higher write-offs than usual. Secondly, while our U.S. operations were quite profitable, the accelerated depreciation in the U.S. dollar conversion rate blunted their earnings when expressed in Canadian dollars. Lastly, we had a pyrrhic victory of sorts when we achieved a significant surge in business in the second half of the year. While our outstandings rose to record levels at Dec. 31, 2007, we had to set aside higher allowances for losses. This was in keeping with our long-established practice of prudently keeping our allowances in line with the size of our portfolio. All of these developments had a dampening effect on the Company's drive toward higher earnings. At the same time, I hasten to add that thanks to the diligent efforts of our employees, officers and directors, the over-all picture for 2007 presented positive signs as we prepared to enter 2008.

The volume of receivables processed in 2007 grew 6% to a company record of $1.497 billion. Increased competition, among other things, caused a squeeze on yields which resulted in a reduction in gross revenue of 2% to $28.3 million. The cost of borrowing in 2007 went up to $3.0 million, from $2.4 million the previous year, on higher outstandings. General and administrative expenses, including depreciation, were down slightly to $13.4 million compared with $13.6 million in 2006. We sustained a rise in the provision for credit and loan losses, up from $2.0 million in 2006 to $2.4 million in 2007. Our ratio of losses to revenue for 2007 reached 8.5%, while it was 6.8% in 2006. However, there was a favorable aspect to this. The provision for credit and loan losses consists of two elements: (1) actual charge-offs, net of recoveries, and (2) non-cash changes in allowances for potential losses. Actual charge-offs fell by 12% to $1,815,000 in 2007 from $2,072,000 in 2006 despite a 10% rise in the Company's total

portfolio. The allowances charge rose by $697,000 to $586,000 in 2007, whereas there was a recovery of $111,000 in 2006 (more about this below).

Net earnings for 2007 were $6,287,000 or 66 cents per diluted share. This compares with $7,117,000 or 72 cents per diluted share the previous year. Return on average equity was 16.0% in 2007 versus 18.3% in 2006.

Revenue from operations in Canada rose to $22.1 million in 2007 compared with $22.0 million in 2006. While we did slightly more business, competitive pressure lowered our yields. The cost of borrowed money was $3.3 million in the latest year versus $2.9 million the previous year. General and administrative expenses, including depreciation, declined to $10.2 million in 2007 from $10.4 million in 2006. Provision for credit and loan losses increased to $2.2 million in 2007 versus $1.3 million in 2006.

Net earnings from Canadian operations in 2007 declined to $4,303,000 compared with $4,994,000 in 2006.

Our U.S. operations had a satisfactory year as we shifted to larger client loans in 2007, at somewhat lower yields. There was a sharp drop in the provision for credit and loan losses in 2007. The reduction in yield was offset by a more favorable loss experience to produce a slightly better bottom line expressed in U.S. dollars. However the continuing fall of the U.S. dollar against the Canadian dollar in 2007 resulted in a reduction in net earnings to $1,984,000 in 2007 compared with $2,123,000 the previous year.

At Dec. 31, 2007, you will note an unprecedented increase of 30% in gross factored receivables and loans (owned receivables), which rose to $106 million compared with $81 million a year earlier. In addition, we had outstanding non-recourse receivables (managed receivables) of $100 million, down somewhat from the previous year-end. We receive commissions to underwrite most of the risks of these receivables in the event of customer default. The total "at risk" portfolio at Dec. 31, 2007 increased by 10% to $206 million from $187 million a year earlier. Overall our business activity in Canada and the U.S. is helping North American business grow.

The Company continued and renewed its normal course issuer bid in 2007 and we purchased 41,600 shares for cancellation at a cost of $333,000, or an average of $8.00 per share. Options on 53,000 shares were exercised in 2007 for proceeds of $245,000. The number of common shares outstanding at year-end was 9,454,171, up slightly from 9,442,771 a year earlier. Four quarterly dividends of 5.5 cents per share were paid in 2007. Total dividends amounted to 22 cents per share in 2007 compared with 20 cents in 2006.

Looking Forward

Competition in the United States and Canada continues to be intense. Our non-recourse business in Canada has seen the withdrawal or reduction of activity by a major competitor and the entry into the market of some newer players. This has caused rate pressure in the market as the newcomers cut rates to put business on their books. This has forced a reduction in our yields in this sector as we compete to retain clients and win new ones, a challenge that no doubt will continue in 2008.

Our recourse factoring and asset-based lending business in both the U.S. and Canada are now on a strong upward trend. The U.S. economy began to falter in the fourth quarter of 2007, and there was a softening in the Canadian economy as well, although not as severe. The credit crunch in the U.S. has caused most banks to tighten their loan standards and stampede many marginal borrowers to seek financing elsewhere. Our deal flow in the U.S. (and to a lesser extent in Canada) accelerated in the second half of 2007. Without lowering our credit standards, we have been acquiring new clients at an unprecedented rate. At Dec. 31, 2007 our gross outstanding receivables and loans in Canada stood at $73.1 million. This compares with $60.1 million at Dec. 31, 2006 and represents an increase of 22%. Our U.S. outstandings grew from US$18.2 million at Dec. 31, 2006 to US$33.0 million at Dec. 31, 2007, an increase of 81%. As mentioned above, this explains why our allowance accounts increased by $526,000 in 2007 and the related expense by $697,000.

The turmoil in the financial markets will not be resolved quickly. A lot of damage has and is being done and growth in the North American economy will be anemic, if at all, in 2008. Accord has excellent relationships with the private equity firms, as well as accountants, bankers and turnaround management people. We also have very experienced managers on our team and we should be able to capitalize on the opportunities opening up in 2008.

My sincere thanks to our employees, officers, directors and shareholders for your support and encouragement. I look forward to seeing you at our Annual Meeting on May 7, 2008.

Ken Hitzig
President

Toronto, Ontario
March 3, 2008

Corporate Profiles

Accord Financial Corp., through its subsidiaries, offers superior financial services to small and medium-sized companies, providing the capital these firms need to grow and succeed. Accord's services include factoring and other asset-based financial services, including financing, collection services, credit investigation, guarantees and record-keeping.

Incorporated in 1978, Accord Business Credit operates as an "old-line" factor specializing in credit protection and collection services. Offices and representatives are located in Toronto and Montreal. Major industries served are apparel, floor covering, furniture, footwear and sporting goods. Clients are mostly Canadian and U.S. companies; approximately 30% of total business is international in nature.

Formed in 1990 and acquired by Accord in 1992, Montcap Financial Corp. offers factoring services through the purchase of receivables, as well as asset-based lending and purchase order financing. All clients are in Canada. A wide variety of industries are served including automotive, oilfield services, electronics, medical equipment, food processing, furniture manufacturing, logistics, industrial products, telecommunications, apparel and textiles. Factoring for small and medium-sized businesses is one of the fastest growing areas in financial services. Montcap has offices in Montreal and Toronto.

Started as a predecessor company in 1977 and acquired by Accord in 1992, Accord Financial, Inc. specializes in factoring services by purchasing receivables for cash from small and medium-sized U.S. companies. Major clients are wholesale distributors, staffing agencies, telecommunication providers, furniture, electronics and chemical manufacturers, and other commercial enterprises. Its head office is located in Greenville, SC, with representative offices in Phoenix, AZ, St. Petersburg, FL and Detroit, MI.

Principal Strategic Alliances

Export Ease™ and Export Ease Plus™ are turnkey services that give Canadian exporters all-inclusive receivables insurance, reporting and management. The services are offered in partnership with Export Development Canada (EDC) and take advantage of Accord's global network to provide effective, professional, receivables management. Export Ease Plus™ enables qualified exporters to discount their eligible foreign receivables and turn them into immediate cash, as well as obtain receivables insurance and management.

Liquid Capital is a major franchisor of factoring companies in the United States and Canada. It offers its franchisees a full back office system including credit guarantees. This service is provided by the Company through an exclusive arrangement, which provides the back office processing infrastructure, credit guarantees and, if required, rediscounting facilities for the individual franchisees.

Factors Chain International ("FCI") is a global network of leading factoring companies whose common aim is to facilitate international trade through factoring and related financial services. FCI currently has 232 member factoring companies in 63 countries actively involved in more than half the world's cross-border factoring volume.

Ken Hitzig
President
Accord Financial Corp.

Stuart Adair
Chief Financial Officer
Accord Financial Corp.

Mark Perna
President
Accord Business Credit Inc.

Fred Moss
President
Montcap Financial Corp.

Tom Henderson
President
Accord Financial, Inc.

How We Help North American Business Grow

"...fifty competitors in Canada and Accord holds a 26% market share..."

Excerpts from a recent management meeting in preparation for the Annual Report. Present were: Ken Hitzig, President of Accord Financial Corp.; Stuart Adair, Chief Financial Officer of Accord Financial Corp.; Mark Perna and Peter Wong, President and Vice-President, respectively, of Accord Business Credit Inc.; Fred Moss and Cynthia Aboud, President and Senior Vice-President, respectively, of Montcap Financial Corp.; and Tom Henderson and Matthew Panosian, President and Senior Vice-President, respectively, of Accord Financial, Inc.

Ken: *We embarked on a new format last year for our Roundtable Discussion by focusing less on the operating results and more on what we do that impacts the numbers, as well as our corporate strategy. You might say that our Roundtable Discussion is an informal MD&A. Before we begin, Stuart, can you summarize the financial highlights of 2007 for us?*

Stuart: We had a good year, not as good as we wanted it to be perhaps, but we did earn a return a notch over 16% on our average equity in 2007, our target range having been between 15% and 20%.

Ken: *We ended the year with a strong finish, which is to say, our outstanding funds employed, grew by 30% compared with the year earlier. We've never experienced growth like this before. How do you account for this?*

Fred: Our asset growth in Canada, year-over-year was 22%. There are a number of reasons for this. To begin with, we entered the second half of the year with more business development officers than ever before. We also put a lot of effort into promotional work and marketing initiatives and we have high visibility in the professional community. In addition, we've become

a leader in the recourse factoring field since 1990 and we are now a very recognized establishment in the financial community. We are, by far, the largest recourse factor in Canada.

Cynthia: I think it should be mentioned that we broadened our product base in the past few years. We've expanded our asset-based lending service by offering inventory financing to small and medium-sized retailers. We also do purchase order financing. We recently started a re-financing program for a company which finances credit card clients and this has very big potential.

Ken: *Tom, you saw our U.S. outstandings grow by 81% last year. Was your experience the same as the one in Canada?*

Tom: Not really. We made two strategic decisions that had a significant impact. First, we decided to concentrate on larger loans, loans of one million dollars and up, and we have distanced ourselves from small deals. We now have a somewhat lower yield in our portfolios, but our cost of servicing each client is much lower.

Matthew: We now operate with half the number of staff we had six years ago.

Tom: The second strategic decision we made was to work closely with professionals, especially the turnaround management people.

Stuart: *Didn't you run up against the "big boys", the asset-based lenders that lend in the "over one million dollar category"? You are booking deals with limits of ten million dollars – that's their territory. They can undercut your rates any time they want.*

Tom: They can. GE Capital, CIT, Bank of

Peter Wong Explains Why Non-Recourse Factoring is Superior to Credit Insurance

Peter Wong, Vice-President
Accord Business Credit Inc.

"I've had to explain many times the difference between factoring and credit insurance. Both systems protect against credit losses. However, unlike non-recourse factoring, credit insurers usually have a co-insurance clause requiring the seller to assume part of the risk. There's also a deductible, below which no claims are honored, as well as a maximum annual loss that may be claimed. The insurer usually gets its premiums up front, at the very beginning of the policy year. Finally, the onus is on the seller to maintain meticulous accounts receivable records and to do all collections. Failure to turn over a defined past-due account to the insurer will invalidate any potential claim."

"Accord's factoring service is much simpler and more comprehensive. The insurers use a written "policy", prepared by their legal department, which, very often, is incomprehensible to a layman. Accord's contract is written in plain language and easily understood. With Accord's non-recourse factoring there is no co-insurance clause, coverage is from the first dollar up, with no deductible and no annual maximum. Our commission is payable as you go, based on actual sales for the month. For a modest increase in rate, Accord will handle all the accounts receivable record-keeping and collections. The seller would never be "off-side" by failing to report past-dues. Accord has been in business since 1978; our record of paying claims over the period is exemplary."

"As one of our long time clients says: *'Ship and Sleep'*."

America, Wachovia, they all have lower rates than Accord. But we have one big edge: speed. We can go from first inquiry, to letter-of-intent, to due diligence, to credit approval, to documentation, to funding in a matter of weeks. The big boys are structurally incapable of doing that.

Matthew: We have experienced a number of situations where the large finance companies, recognizing that they could not deliver their financing in a timely manner, referred the prospects to Accord. I don't think we can get a better endorsement than that.

Ken: *What's the competition like in Canada?*

Cynthia: Pretty intense.

Peter: Very intense.

Cynthia: At our end of the business, recourse factoring and asset-based lending, there are dozens of competitors and many of them compete on rate and dangerous credit. We let them "win" some of those deals. We usually compete on rate, but we're not interested in high risk credit.

Mark: We are the second-largest non-recourse factor in Canada. We have to fight for every new piece of business, and we have to fight to retain what we have. One large competitor withdrew from Canada last year, but some of their senior managers were hired by two new start-ups.

Peter: In addition to these factors, we have several credit insurance companies to contend with. They market low rates and, sometimes, reckless credit. But we counter with superior and comprehensive service and we win our share of the business.

Ken: *Mark, we know Accord does a fair amount of business of an international nature. Can you elaborate on this? What, exactly, is "international"?*

Mark: We have clients in Canada who ship to customers in the U.S. and overseas. We also have clients outside Canada shipping to customers in Canada. In addition, Accord is a long-time member of Factors Chain International ("FCI"). This is an association of factors located in countries around the world who act as correspondents for one another. We get a good chunk of business destined for Canada, but we aren't the only ones competing for it – there is one other Canadian member and several U.S. members who are in the fray. When we add it all up, about 30% of Accord Business Credit's volume is international.

Ken: *This doesn't mean that 30% of your revenue is international, does it?*

Mark: I'm afraid not. The commission rates we get on FCI referred volume are usually much lower than our usual domestic rates. Our biggest correspondent volume comes from China, Hong Kong and Taiwan; this is a fiercely competitive market and the rates tend to be very low. The flip side of this coin is that the credit risk is also very low. I don't recall us ever sustaining any credit losses from this trade. Of the two Canadian factors in this sector, Accord garnered 82% of the total incoming volume.

Ken: *I presume you don't know how much Canadian-destined volume was captured by the U.S. factors?*

Mark: No, we don't. But the two largest U.S. factors probably got a good slice of it. Parenthetically, I might add, in a survey conducted annually by FCI, Accord scored the best service record on response time for all factors in the Western Hemisphere by providing credit approvals in an average of 3.2 days from date of credit request. No one else came close.

Stuart: *A survey summarizing the size of the factoring industry in Canada in 2007 showed that Accord, non-recourse and recourse, held the largest market share at 26%. Considering that there are about fifty competitors in the field, that's a pretty good showing.*

Mark: There's been a profound change in the factoring industry in the last ten years. Whereas the non-recourse sector dominated ten years ago, the recourse sector has shown significant growth to the point where it is now bigger than the non-recourse sector. I don't know if Ken or Fred should get the credit, but Fred joined Accord fifteen years ago to build a presence in the recourse factoring business. Fred has built the largest player in

Fred Moss Talks About the Real Cost of Financing

Fred Moss, President
Montcap Financial Corp.

"Montcap Financial Corp. is Accord's recourse factoring and asset-based lending company in Canada. As Montcap's president, I get to see all kinds of interesting deals, some of which we reject, and many we take on."

"We financed a gentleman whose company had gone through hard times and his bank had told him to go elsewhere. By using us, he bought the time needed to reorganize his business and put it back on a profitable footing. He felt he was ready to return to the bank. But an interesting thing happened; a competitor came up for sale and he wanted to buy it. His bank told him that if he did he would put his company in violation of various covenants that the bank would insist on. In other words, if he didn't buy out the competitor he would be welcome at the bank; if he went forward with the deal, he wouldn't be welcome."

"He approached us to see what we could do. We saw enough collateral in the two companies to enable us to finance the transaction. The acquisition was consummated, and it worked out well for our client. In fact, he went on to do several other acquisitions, each one financed by us."

"I saw him at the closing of his most recent deal. The legal papers had all been signed and he was beaming with pride. Over coffee and finger food, he told me that, while the bank's money appears to be less expensive than Montcap's, the "real" cost of bank money is buried in the opportunities that one has to pass up in order to qualify. He knew that financing consists of a lot more than simply comparing interest rates."

"I don't think I could have said it any better."

Canada in that field, and the most profitable. Was Ken prescient or Fred talented?

Ken: *I wasn't prescient. But I did know Fred for many years when we decided to bring him on board at the end of 1992, and I was convinced he could take us into a new area successfully. He didn't disappoint.*

Fred: You can stop patting me on the back now. The truth is we built a good team and their contribution to our growth and success is greater than mine.

Mark: There was definitely a softening of the economy in the fourth quarter and we got hit pretty hard with write-offs of almost $500,000 between October and December. We had only $275,000 in the first nine months. As you can imagine, we will be watching credit and collections with increased scrutiny in 2008.

Matthew: Our write-offs were over $700,000 in 2006 so we were extra vigilant in 2007. We actually had more recoveries in '07 than write-offs.

Stuart: *You folks had such a run-up in outstandings that you had to set aside an extra $300,000 in allowance for doubtful accounts at Dec. 31, 2007 compared to a year earlier. Were there problems in the portfolio?*

Matthew: We review our portfolio every month. The portfolio was clean at year-end. Our allowance for losses account doubled from the previous year-end to well over a half-million dollars. It's nice to have that cushion.

Ken: *There is much talk of a "credit crunch" in the U.S. This must have an impact on your operation, does it not?*

Matthew: The biggest impact has been in the housing sector, but we have very little involvement in construction.

Tom: I believe the "credit crunch", if you can call it that, has resulted in a reflex reaction by the banks; they have tightened their credit standards to the point that many marginal borrowers are being turned out or turned away, and, of course, that benefits us. Many of the banks have big problems with their involvement in the sub-prime mortgage market and that pushes them to be more conservative than ever.

Stuart: *Is there really a shortage of liquidity?*

Tom: Not really. Interest rates have dropped a lot since year-end and there is plenty of money in the system for qualified borrowers.

Ken: *What's your experience in Canada?*

Mark: We haven't had the mortgage melt-

down that the U.S. has experienced. However, the automotive sector in Canada is very integrated with the American industry, and this area has been under increasing competitive pressure in 2007. As I mentioned earlier, the overall economy was quite strong until the fourth quarter when it weakened considerably. The retail sector flattened out and the bankruptcy rate rose quickly. And this happened at the time of the year when we usually have our best quarter.

Stuart: You were still profitable in the fourth quarter.

Mark: We were, but not to the extent we usually are.

Ken: *With strong growth in our lending business, do we have enough liquidity to carry us through 2008?*

Stuart: We have lines of credit of close to $90 million of which slightly more than half was in use at year-end. We should be okay.

Ken: *Five years ago we reported to our shareholders how an investment of $10,000 in Accord shares had grown over the years. We are now at the thirty year mark. Stuart, where do we stand now?*

Stuart: The total return on a $10,000 investment, including share price appreciation and dividends, came to $657,920 at Dec. 31, 2007. This does not include dividend re-investment. The compound rate of return comes to 15% per annum.

Ken: *Thank you all for your participation.*

Tom Henderson Explains How Accord Provides Expansion Capital to Rapid-Growth Companies

Tom Henderson, President
Accord Financial, Inc.

"We were approached by a company that was growing very quickly. The company had good quality receivables, but many customers were located abroad. Most of the company's working capital had been eaten up by research and product development, and lack of profitability. Their bank had lost its patience and gave the company notice to seek new financing."

"They tried a few other banks with the same results each time. Furthermore, none of the banks would consider foreign receivables as eligible collateral; this alone would stunt their growth. They considered taking in new investors, but this would have diluted ownership at just the time they felt they were going to be very profitable. Their accountant told them equity was the most expensive form of financing and he introduced them to a few large finance companies. They all had the same story – they were interested, but it could take up to three months to get to the funding stage, and there was no guarantee their credit committee would approve a deal."

"One of the potential lenders referred the company to Accord. We worked very quickly to put the financing in place and assured them that we weren't spooked by foreign receivables. It turned out that most of the receivables were due from foreign subsidiaries of well-rated American companies. Within weeks, not months, our flexible funding program was up and running. It was geared toward their growing sales and not their balance sheet, and they were able to increase their business substantially."

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

"The Company exited 2007 with record factored receivables and loans outstanding. Accordingly, the prospects for improved net earnings in 2008 are good provided credit and loan losses can be kept to a minimum."

~ Stuart Adair
Accord Financial Corp.

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 year ended December 31, 2007 compared with the year ended December 31, 2006. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A should be read in conjunction with the Company's 2007 audited consolidated financial statements (the "Statements") and notes thereto, the Ten Year Financial Summary (see page 29) and the President's Letter to the Shareholders, all of which form part of this 2007 Annual Report. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

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

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

Accord's Business

Accord is a leading North American provider of factoring and other asset-based financial services to businesses, including financing, collection services, credit investigation and guarantees. The Company's financial services are discussed in more detail earlier in this Annual Report. Its clients operate in many industries, including apparel, automotive, electronics, oilfield services, temporary staffing, telecommunications, financial services, textiles, food products, furniture, sporting goods, leisure products, transportation, footwear, plastics, freight forwarding and industrial products.

The factoring industry in North America continues to be highly competitive, with the consolidation and merger of major factors and the entry of new players in niche markets.

The Company continues to search for and investigate new business opportunities and acquisitions to fuel continued growth.

The Company operates three factoring companies in North America, namely, Accord Business Credit Inc. ("ABC") and Montcap Financial Corporation ("MFC") in Canada and Accord Financial, Inc. ("AFI") in the United States. ABC has been in operation since 1978. MFC and AFI were acquired on December 31, 1992. These subsidiaries' operations are discussed further earlier in this Annual Report.

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

Results of Operations

Years ended December 31	2007		2006		
	Actual	% of Revenue	Actual	% of Revenue	% change from 2006 to 2007
Factoring volume (millions)	$ 1,497		$ 1,417		5.6%
Revenue					
Factoring commissions, discounts, interest and other income	$ 28,345,999	100.0%	$ 28,863,716	100.0%	-1.8%
Expenses					
Interest	2,992,114	10.5%	2,390,650	8.3%	25.2%
General and administrative	13,143,314	46.4%	13,289,460	46.0%	-1.1%
Provision for credit and loan losses	2,401,329	8.5%	1,961,357	6.8%	22.4%
Depreciation	209,277	0.7%	322,250	1.1%	-35.1%
	18,746,034	66.1%	17,963,717	62.2%	4.4%
Earnings before income tax expense	9,599,965	33.9%	10,899,999	37.8%	-11.9%
Income tax expense	3,313,000	11.7%	3,783,000	13.1%	-12.4%
Net earnings	$ 6,286,965	22.2%	$ 7,116,999	24.7%	-11.7%
Earnings per common share					
Basic	$ 0.66		$ 0.73		-9.6%
Diluted	$ 0.66		$ 0.72		-8.3%

Results of Operations

Fiscal 2007

Year ended December 31, 2007 compared with year ended December 31, 2006

The Company achieved net earnings of $6,287,000 in 2007, 12% below 2006's net earnings of $7,117,000. Net earnings were adversely impacted by lower revenue and higher interest expense and provision for credit and loan losses. These items are discussed below. The average value of the U.S. dollar declined by 5% against the Canadian dollar in 2007, which served to reduce the Canadian dollar equivalent of our U.S. subsidiary's net earnings by approximately $155,000 compared to fiscal 2006. Diluted earnings per common share for 2007 were 66 cents compared with 72 cents last year. The Company's return on average shareholders' equity ("ROE") was a solid 16.0% in 2007 but was below last year's 18.3%.

The volume of receivables factored by the Company in 2007 rose by 6% to a record $1.497 billion compared with $1.417 billion last year. Recourse factoring volume rose by 13%, while non-recourse volume declined by 2%. International volume, mostly cross-border

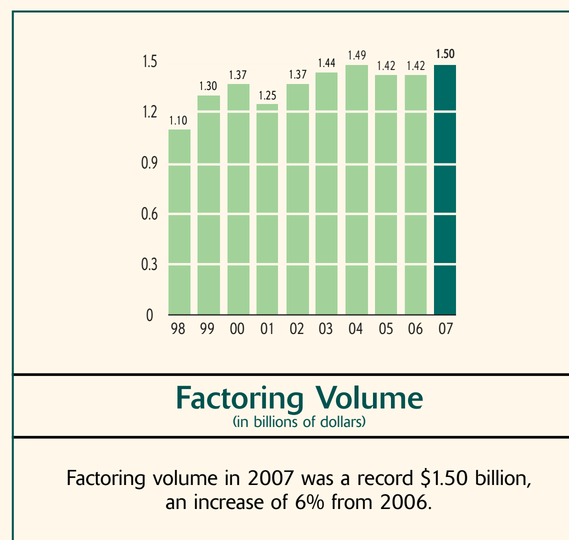
Selected Annual Information

(audited, in thousands of dollars, except per share data)

	2007	2006	2005
Revenue	**$ 28,346**	$ 28,864	$ 26,230
Net earnings	**6,287**	7,117	6,210
Earnings per share			
Basic	**$ 0.66**	$ 0.73	$ 0.63
Diluted	**0.66**	0.72	0.62
Dividends per share	**0.22**	0.20	0.18
Total assets	**$ 107,133**	$ 84,679	$ 90,104

business between the U.S. and Canada, rose to $336 million compared to $313 million in 2006. International volume comprised 22% of the Company's total volume in 2007, unchanged from 2006.

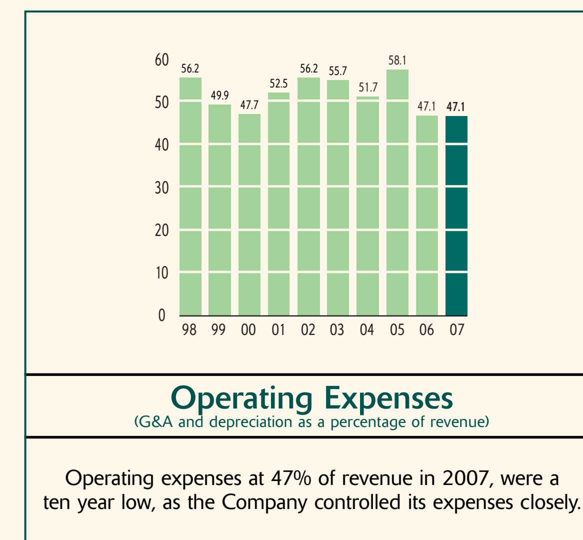
Revenue declined by $518,000 or 2% to $28,346,000 in 2007 compared to $28,864,000 last year. Revenue declined despite the rise in volume and an increase in interest income from asset-based loans, principally because of somewhat reduced yields and the impact of the weaker U.S. dollar. Yields declined in 2007 largely as a result of funding larger deals at lower rates, competitive pressures and lower miscellaneous, non-recurring fees. Revenue in 2006 included $75,000 from the sale of the Company's 25% interest in Liquid Capital Corp. ("LCC"). The Canadian dollar equivalent of our U.S. subsidiary's revenue decreased by approximately $420,000 as a result of the decline in value of the U.S. dollar in 2007.



Factoring Volume
(in billions of dollars)

Factoring volume in 2007 was a record $1.50 billion, an increase of 6% from 2006.

Interest expense rose by $601,000 or 25% to $2,992,000 in 2007 compared to $2,391,000 last year. The increase resulted from higher average borrowings (bank indebtedness and notes payable) and somewhat higher interest rates in 2007. Average borrowings rose by 19% in 2007 largely as a result of funding an increase in gross factored receivables and loans in the year. Borrowings were also utilized to repurchase shares under the Company's normal course issuer bids (collectively referred to as "Bid") in 2007 and 2006 (see note 11(c) to the Statements and below), which increased Accord's interest expense by approximately $210,000 in 2007 compared to 2006. The Company's borrowing rates were higher in 2007 as the average Canadian prime rate of interest rose to 6.1%

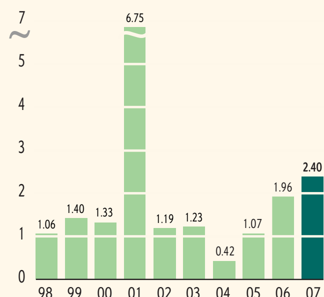


Operating Expenses
(G&A and depreciation as a percentage of revenue)

Operating expenses at 47% of revenue in 2007, were a ten year low, as the Company controlled its expenses closely.

per annum, up from 5.8% in 2006, and the average U.S. prime rate of interest increased slightly to 8.1%, up from 8.0% in 2006.

General and administrative ("G&A") expenses comprise personnel costs, representing the majority of the Company's 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 $146,000 to $13,143,000 in 2007 from $13,289,000 last year. G&A expenses decreased partly as a result of the decline in the U.S. dollar in 2007, which caused the Canadian dollar equivalent of AFI's G&A expenses to fall by approximately $175,000 compared to 2006. In 2006, the



Provision for Credit and Loan Losses
(in millions of dollars)

The provision for credit and loan losses rose by 22% in 2007 to $2.40 million, the second highest in the last ten years, on net charge-offs of $1.81 million and charges related to the increase in allowances for losses of $0.59 million.

Table 1—Profitability Ratios (%)

(as a percentage)	1998	1999	2000	2001	2002	2003	2004	2005	2006	**2007**
Return on Average Assets	12.27	11.43	10.38	3.95	6.64	7.91	10.20	7.57	8.14	**6.56**
Return on Average Equity	18.72	21.18	21.12	7.01	10.57	13.23	19.10	16.81	18.33	**16.02**
Net Revenue / Average Assets	50.93	45.18	39.84	36.02	36.41	34.48	35.03	29.81	30.29	**26.44**
Operating Expenses / Average Assets	29.32	24.13	20.66	20.04	21.05	19.78	18.96	18.56	15.58	**13.92**

Company incurred costs of $206,000 relating to staff and facility reductions as it concluded the consolidation of its Montreal operations. The Company continues to manage its controllable expenses closely. G&A expenses totalled 46% of revenue in 2007, the same as in 2006 and the lowest percentage in the last ten years.

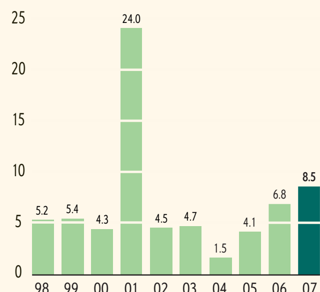
The provision for credit and loan losses, a combination of net charge-offs and non-cash charges or recoveries related to changes in the Company's allowances for losses, rose by 22% to $2,401,000 in 2007 from $1,961,000 last year. Net charge-offs decreased by 12% to $1,815,000 (charge-offs of $2,059,000 less recoveries of $244,000) compared with $2,072,000 (charge-offs of $2,216,000 less recoveries of $144,000) in 2006. There was a charge of $586,000 related to the increase in the Company's total allowances for losses in 2007 compared to a recovery of $111,000 on a decrease in total allowances last year. These allowances are discussed in more detail on page 21. The $697,000 rise in this non-cash charge was a significant reason that net earnings declined in 2007. The provision for credit and loan losses, as a percentage of revenue, totalled 8.5% in 2007, the second highest percentage in the last ten years, compared to 6.8% in 2006. Net charge-offs decreased to 6.4% of revenue in 2007 compared to 7.2% last year. The 12% decline in net charge-offs in 2007 resulted from fewer significant charge-offs this year and occurred despite a 10% increase in the Company's total portfolio (see below).

Depreciation on capital assets declined by $113,000 to $209,000 in 2007 compared with $322,000 in 2006 on a lower net book value of capital assets, in part as a result of fewer capital asset purchases.

Income tax expense declined by 12% to $3,313,000 in 2007 compared to $3,783,000 last year on a similar percentage decline in pre-tax earnings. The Company's effective corporate income tax rate for 2007 was 34.5%, slightly below last year's 34.7%.

Table 1 highlights the Company's profitability in terms of returns on its average assets and shareholders' equity. In 2007, on lower net earnings, these percentages declined to 6.6% and 16.0%, respectively.

Net revenue as a percentage of average assets declined to 26.4% compared to 30.3% in 2006. It has declined over the past ten years as the increase in assets, principally factored receivables and loans to clients, rose at a faster rate than net revenue as a result of growth in the Company's recourse factoring and asset-based lending business. The ratio of operating expenses to average assets has declined substantially over the last ten years as average assets increased. The ratio in 2007 declined to 13.9% compared



Provision for Credit and Loan Losses
(as a percentage of revenue)

The provision for credit and loan losses at 8.5% of revenue was the second highest in the last ten years.

with 15.6% last year as expenses declined and average assets rose to record levels.

Canadian operations

Net earnings from Canadian operations declined by $691,000 or 14% to $4,303,000 in 2007 compared to $4,994,000 last year as a result of a higher provision for credit and loan losses and increased interest expense (see note 19 to the Statements).

Revenue increased slightly to a record $22,085,000 in 2007 compared to $21,966,000 last year. Interest expense rose by $400,000 or 14% to $3,295,000 as average borrowings and interest rates increased. G&A expenses declined by $104,000 to $10,025,000. As noted above, costs of $206,000 were incurred in 2006 related to the consolidation of the Company's Montreal operations. The provision for credit and loan losses rose by $912,000 or 73% to $2,169,000 as net charge-offs increased by $566,000 and the charge related to the increase in allowance for losses rose by $346,000. Canadian income tax expense decreased by 12% to $2,124,000 in 2007 on a similar fall in pre-tax earnings.

The prospects for improved net earnings from the Company's Canadian operations in 2008 are good as it finished 2007 with substantially higher gross factored receivables and loans outstanding and, accordingly, is expecting higher revenue in 2008. However, the extent of credit and loan losses will, as always, also determine if net earnings rise in 2008.

U.S. operations

Net earnings from U.S. operations declined by 7% to $1,984,000 in 2007 compared to $2,123,000 in 2006. In U.S. dollars, net income increased by 1% to US$1,884,000. Revenue declined by $826,000 or 11% to $6,796,000 principally as a result of reduced yields and the impact of the weaker U.S. dollar. Interest expense rose slightly to $232,000 compared with $220,000 last year. G&A expenses declined by $43,000 to $3,118,000 in 2007 as the impact of the weaker U.S. dollar offset a 3% rise in U.S. dollar denominated G&A expenses. The provision for credit and loan losses declined to $233,000 in 2007 compared to $704,000 last year; AFI had a net charge-off recovery during 2007 but was required to make a charge in respect of an increase in its allowance for losses, which resulted from a significant rise in its gross factored receivables and loans in 2007. AFI's income tax expense fell by 13% to $1,189,000 in 2007 on a 9% decrease in pre-tax earnings and small reduction in effective tax rate.

AFI exited 2007 with significantly higher factored receivables and loans than it averaged during the year and, accordingly, is expecting to increase its revenue and net earnings in 2008. To do so, it will be necessary to efficiently manage its low cost structure and keep its credit and loan losses to a minimum.

Fourth quarter 2007

Quarter ended December 31, 2007 compared with quarter ended December 31, 2006

Net earnings for the quarter ended December 31, 2007 declined by $401,000 or 16% to $2,059,000 compared to $2,460,000 in the fourth quarter of 2006. Net earnings principally declined on a higher provision for credit and loan losses and increased interest expense. They were adversely affected by the decline in the U.S. dollar, which served to reduce the Canadian dollar equivalent

Summary of Quarterly Financial Results

Quarters ended	2007 Dec. 31	2007 Sept. 30	2007 June 30	2007 Mar. 31	2006 Dec. 31	2006 Sept. 30	2006 June 30	2006 Mar. 31
Factoring volume (millions)	$ 376	$ 413	$ 341	$ 366	$ 357	$ 369	$ 320	$ 371
Revenue								
Factoring commissions, discounts, interest and other income	$ 7,770,561	$ 7,173,562	$ 6,785,396	$ 6,616,480	$ 7,647,019	$ 7,005,528	$ 6,997,410	$ 7,213,759
Expenses								
Interest	959,435	836,161	656,742	539,776	591,350	557,957	652,999	588,344
General and administrative	3,209,306	3,285,720	3,280,484	3,367,804	3,299,739	3,309,734	3,228,893	3,451,094
Provision for (recovery of) credit and loan losses	408,080	1,209,947	243,267	540,035	(72,394)	809,703	727,160	496,888
Depreciation	13,512	64,533	65,176	66,056	80,903	83,577	79,552	78,218
	4,590,333	5,396,361	4,245,669	4,513,671	3,899,598	4,760,971	4,688,604	4,614,544
Earnings before income taxes	3,180,228	1,777,201	2,539,727	2,102,809	3,747,421	2,244,557	2,308,806	2,599,215
Income tax expense	1,121,000	614,000	869,000	709,000	1,287,000	785,000	803,000	908,000
Net earnings	$ 2,059,228	$ 1,163,201	$ 1,670,727	$ 1,393,809	$ 2,460,421	$ 1,459,557	$ 1,505,806	$ 1,691,215
Earnings per common share *								
Basic	$ 0.22	$ 0.12	$ 0.18	$ 0.15	$ 0.26	$ 0.15	$ 0.15	$ 0.17
Diluted	$ 0.22	$ 0.12	$ 0.17	$ 0.15	$ 0.25	$ 0.15	$ 0.15	$ 0.17

* Due to rounding the total of the quarterly earnings per share may not agree with the total for the year.

of AFI's net earnings by approximately $115,000 compared to the fourth quarter of 2006. Diluted earnings per common share were 22 cents compared to 25 cents last year.

Factoring volume rose by 5% to $376 million in the quarter compared to $357 million in the fourth quarter of 2006. Volume in the Company's recourse factoring business rose by 14%, while volume in its non-recourse business declined by 3%.

Revenue increased by $124,000 or 2% to $7,771,000 in the fourth quarter compared to $7,647,000 in the corresponding period of 2006. Revenue was adversely impacted by the decline in the U.S. dollar, which reduced the Canadian dollar value of AFI's revenue by approximately $280,000 compared to last year's fourth quarter. Fourth quarter revenue in 2006 included $75,000 received from the sale of the Company's interest in LCC.

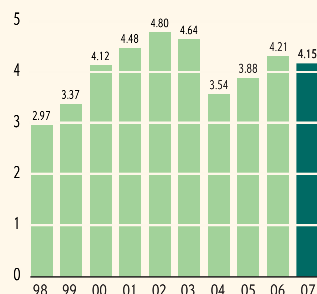
Interest expense rose by 62% to $959,000 in the fourth quarter compared to $591,000 last year as average borrowings rose by 63% to fund a substantial increase in gross factored receivables and loans.

G&A expenses for the quarter fell by $91,000 to $3,209,000 compared to $3,300,000 last year as the decline in the U.S. dollar served to reduce the Canadian dollar equivalent of AFI's expenses by approximately $115,000 compared to the fourth quarter of 2006.

The provision for credit and loan losses increased by $480,000 to $408,000 in the fourth quarter of 2007 compared to a recovery of $72,000 last year. The increased provision this quarter principally resulted from a $358,000 rise in net charge-offs.

Income tax expense decreased by 13% to $1,121,000 compared to $1,287,000 last year on a 15% decline in pre-tax earnings.

Canadian operations reported a 29% decline in net earnings in the fourth quarter of 2007 compared to last year. Net earnings decreased to $1,319,000 compared to $1,853,000 in 2006 on a higher provision for credit and loan losses and interest expense. Revenue rose slightly to $6,021,000 on higher factoring volume and interest income on asset-based loans, while expenses, including income tax expense, increased by $572,000 or 14% to $4,702,000. The provision for credit and loan losses rose by $665,000 to $552,000 compared to a recovery of $113,000 last year as net charge-offs increased by $632,000. Interest expense rose by $184,000



Book Value per Share
(in dollars at December 31)

Book value per share declined to $4.15 at Dec. 31, 2007 on lower shareholders' equity.

Table 2—Balance Sheet Composition

(as a percentage)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Tangible Equity / Assets	56.78	46.76	46.68	60.51	61.21	57.70	45.70	41.56	45.58	**35.70**
Equity / Assets	62.68	50.06	49.01	62.77	63.31	59.35	47.26	42.80	46.90	**36.59**
Term Debt / Equity	0	0	0	0	0	0	0	0	0	**0**
Receivables ($000)										
Owned	41,248	60,528	77,298	64,036	65,893	70,561	72,250	85,730	81,284	**105,882**
Managed	108,549	127,306	101,233	93,298	134,879	124,120	113,894	113,947	105,339	**100,189**
Total Portfolio	149,797	187,834	178,531	157,334	200,772	194,681	186,144	199,677	186,623	**206,071**

or 24% to $954,000 on higher borrowings. G&A expenses were almost unchanged at $2,506,000, while depreciation declined by $55,000. Income tax expense decreased by 25% to $677,000 as a result of a 27% decline in pre-tax earnings.

U.S. operations reported a 22% rise in net earnings in the fourth quarter compared to last year. Net earnings from U.S. operations rose to $740,000 compared to $607,000 last year despite the weaker U.S. dollar. In U.S. dollars, net earnings rose by 41% in the fourth quarter of 2007 compared to the prior year. Revenue decreased by $119,000 or 6% to $1,806,000 as a result of the decline in the U.S. dollar, which, as noted above, reduced the Canadian dollar equivalent of AFI's fourth quarter revenue by approximately $280,000. Expenses, including income tax expense, decreased by $252,000 or 19% to $1,066,000 in part as a result of the weaker U.S. dollar. The provision for credit and loan losses declined by $184,000 to a recovery of $143,000 compared to a provision of $41,000 in 2006, while G&A expenses, interest expense and depreciation decreased by $92,000, $20,000 and $13,000, respectively. Income tax expense rose by $57,000 or 15% to $444,000 on a 19% increase in pre-tax earnings.

Review of Balance Sheet

Shareholders' equity at December 31, 2007 totalled $39,197,000, a decrease of $520,000 from the previous year-end. Book value per share declined to $4.15 at December 31, 2007 compared to $4.21 a year earlier. The decrease in shareholders' equity and book value per share in 2007 principally resulted from a $4,640,000 decline in the accumulated other comprehensive loss account. This is discussed below.

Total assets increased to a year-end record $107,133,000 at December 31, 2007, 27% higher than the $84,679,000 last year-end. Total assets largely comprised factored receivables and loans. As detailed in the Ten Year Financial Summary, total assets have grown significantly in the last ten years in line with the growth in the Company's recourse factoring and asset-based lending business.

Table 2 highlights the composition of the Company's balance sheet. The first two ratios in the table (36% and 37%), detailing equity as a percentage of assets, while declining in 2007 as the Company improved its leverage, are considerably higher than those of most financial companies and indicate the Company's continued financial strength and overall low degree of leverage.

Excluding inter-company liabilities, 69% of identifiable assets were located in Canada and 31% in the United States at December 31, 2007 compared to 71% and 29%, respectively, at December 31, 2006 (see note 19 to the Statements).

Gross factored receivables and loans, before the allowance for losses, rose by a strong $24,598,000 or 30% to $105,882,000 at December 31, 2007 compared with $81,284,000 a year earlier (see note 4 to the Statements). Net of the allowance for losses, factored receivables and loans increased by $24,077,000 to $103,940,000 at December 31, 2007 compared with $79,863,000 last year-end. Factored receivables and loans principally represent advances made by our recourse factoring and asset-based lending subsidiaries, MFC and AFI, to clients in a wide variety of industries, some of which are noted above. Most of this increase occurred in the second half of 2007. Due to the recent credit crisis in the U.S., and to a lesser degree in Canada, the Company is seeing more prospective deals than previously and currently has a healthy "pipeline". The Company's recourse factoring and asset-based lending business had approximately 170 clients at December 31, 2007, up from 140 a year earlier. Three clients each comprised over 5% of gross factored receivables and loans at December 31, 2007, of which the largest client comprised 6%.

As noted above, the Company also contracts with other clients to assume the credit risk associated with respect to their receivables 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" totalled $100 million at December 31, 2007 compared to $105 million last year-end. Managed receivables comprise the receivables of 171 clients principally in the apparel, furniture and footwear industries. The 25 largest clients comprised approximately 61% of non-recourse volume in 2007 compared to 59% in 2006. Most of the clients' customers are retailers in Canada and the United States. At December 31, 2007, the 25 largest customers accounted for 62% of the total managed receivables. These accounts are well-rated and closely monitored.

The Company's total portfolio, which comprises both gross factored receivables and loans ("owned receivables") and managed receivables, rose by 10% to $206 million at December 31, 2007 compared to $187 million last year-end (see Table 2 and the Total Portfolio bar chart for a ten year history).

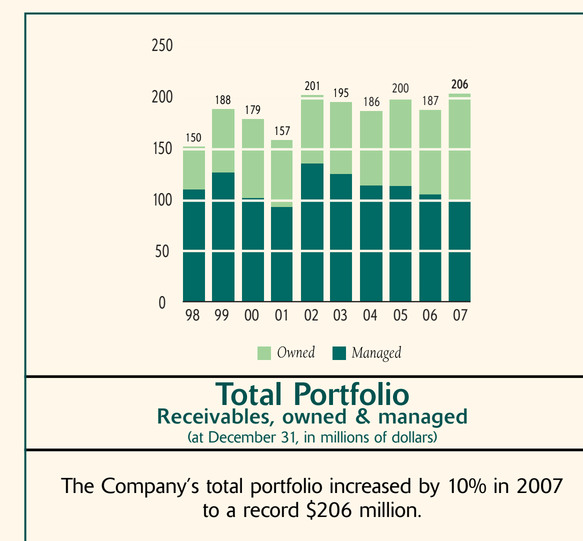
The nature of the Company's factoring and asset-based lending business requires it to fund or assume credit risk on the receivables offered to it by its clients, as well as to fund other assets such as inventory and equipment. All credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1,000,000, by the Company's Board of Directors. The Company monitors and controls its risks and exposures through financial, credit and legal reporting systems and, accordingly, believes that it has in place procedures for evaluating and limiting the credit risks to which it is subject.

All credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by customers and clients. The Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. Monitoring and communicating with its clients' customers is measured by, among 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 invoice due dates ranging from 30 to 60 days from original shipping or invoice date. Of the total managed receivables that the Company guarantees payment of, 9.5% were past due more than 60 days at December 31, 2007 compared to 9.9% last year-end. In the Company's recourse factoring business, receivables become "ineligible" when they

Table 3—Credit Quality

(as a percentage)	1998	1999	2000	2001	2002	2003	2004	2005	2006	**2007**
Portfolio Turnover (days)	51	50	53	54	52	51	48	50	50	**49**
Managed Receivables past due more than 60 days	7.60	10.10	9.70	9.80	7.60	5.60	6.50	7.60	9.90	**9.50**
Reserves* / Portfolio	0.88	0.94	1.02	0.96	0.91	0.96	1.02	1.13	1.15	**1.29**
Reserves* / Net Charge-offs	149	183	143	21	207	157	482	315	103	**147**
Net Charge-Offs / Factored (Non-recourse) Volume	0.05	0.06	0.05	0.06	0.03	0.06	0.05	0.05	0.03	**0.11**

*Reserves comprise the total of the allowance for losses on factored receivables and loans and on the guarantee of managed receivables.



Total Portfolio
Receivables, owned & managed
(at December 31, in millions of dollars)

The Company's total portfolio increased by 10% in 2007 to a record $206 million.

reach a certain pre-determined age, usually 90 days past due, and are usually charged back to clients thereby largely eliminating the Company's credit risk on such receivables.

ABC employs a customer credit scoring system to assess the credit risk associated with those client receivables that it guarantees. MFC and AFI employ a client rating system to assess credit risk, which reviews, among other things, the financial strength of each client, its management and the Company's underlying security, principally its clients' receivables, inventory and equipment. 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 professionally appraised. The Company assesses the financial strength of its clients' customers and the industries in which they operate. Examples of the clients' industries are set out above. For a factoring company, the financial strength of the clients' customers is often more important than the financial strength of the clients themselves. The Company also minimizes credit risk by limiting the maximum amount it will lend (currently, the Company will not lend more than $10 million to any one client), enforcing strict margins, disallowing certain types of receivables, charging back receivables as they become older, and employing concentration limits on a customer and industry specific basis. The Company also confirms the validity of the majority of the receivables that it purchases. As a factoring company which administers and collects the majority of its clients' receivables, the Company is quickly able to identify problems as and when they arise and act promptly to minimize credit and loan losses, which is particularly important in today's credit environment.

Table 3 highlights the credit quality of the Company's portfolio, both owned and managed. Net charge-offs of our managed receivables increased substantially to $766,000 in 2007 compared to $251,000 last year as our non-recourse business was affected by a few significant insolvencies. Net charge-offs on managed receivables grew to 11 basis points of volume in 2007, the highest in the last ten years, compared to 3 basis points in 2006, the lowest in the last ten years. Net charge-offs in the Company's recourse factoring business declined by 42% to $1,049,000 in 2007 compared to $1,821,000 last year despite gross factored receivables and loans increasing by 30% during the year. Overall, the Company's total net charge-offs in 2007, as discussed in the Results of Operations section above, declined by 12% to $1,815,000 compared with $2,072,000 last year.

After the customary detailed year-end review of the Company's $206 million portfolio, all problem accounts and loans were identified and provided for. The Company maintains a separate allowance for credit and loan losses on both its factored receivables and loans and on its guarantee of managed receivables, at amounts, which, in management's judgment, are sufficient to cover the fair value of losses thereon. The allowance for losses on gross factored receivables and loans increased by $521,000 or 35% to $1,942,000 at December 31, 2007 compared to $1,421,000 at December 31, 2006 as a result of the $24.6 million or 30% increase in gross factored receivables and loans in 2007. The allowance for losses on the guarantee of managed receivables increased slightly to $725,000 at December 31, 2007 compared to $720,000 last year-end. This allowance represents the fair value of estimated payments to clients under their guarantees. 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 the allowance for losses accounts for 2007 and 2006 is set out in note 4 to the Statements. The estimate of the allowances for losses is judgmental. Management considers both the allowances for losses to be adequate.

Cash declined to $1,148,000 at December 31, 2007 compared to $2,150,000 at the end of 2006. 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.

Other assets increased by $43,000 to $272,000 at December 31, 2007 compared with $229,000 last year-end.

Future income tax assets, net, declined by $361,000 to $223,000 at December 31, 2007 compared with $584,000 last year-end. The decrease results from utilization of the remaining tax loss carryforwards acquired as part of the i Trade Finance Inc. purchase in 2005. These had a fair value of $381,000 last year-end.

Capital assets declined to $597,000 at December 31, 2007 from $733,000 a year earlier as depreciation expense exceeded net capital purchases. Capital assets acquired during the year, net of disposals, totalled $73,000 compared to $123,000 in 2006 and principally comprised computer and office equipment.

Goodwill, net of accumulated amortization, totalled $953,000 at December 31, 2007 compared to $1,121,000 at December 31, 2006. In accordance with GAAP, goodwill is no longer amortized (see note 3(g) to the Statements)

Five Key Benchmarks

One of our primary functions at Accord is to manage risk and to assess credit quality. As detailed in Table 3, there are five key benchmarks which tell us how well we are doing.

Portfolio turnover

We try to minimize risk by turning our portfolio in as few days as possible. The turnover in 2007 was 49 days, compared with 50 days in 2006.

Past due receivables

We also try to keep our past due receivables as low as possible, for obvious reasons. Over the past ten years, the percentage of managed receivables past due more than 60 days has ranged from a low of 5.6% to a high of 10.1%. At Dec. 31, 2007, the percentage was 9.5%.

Reserves to portfolio

In an effort to minimize financial risk, we try to maximize this measure. Over the past ten years, it has been relatively consistent ranging between 0.88% and 1.29%. The percentage at Dec. 31, 2007 was the high of 1.29%.

Reserves to net charge-offs

Ideally, this percentage should be greater than 50%, which is to say that the year-end reserves would absorb about six months of charge-offs. This number has been consistently over 100% since 1998, except for the 21% at Dec. 31, 2001. At Dec. 31, 2007, it was 147%.

Net charge-offs to non-recourse volume

This is an important benchmark in our non-recourse business. The long term industry average ranges from 15 to 20 basis points. Our record has been very good since 1998. The figure in 2007 was 11 basis points, a high for the ten year period.

but is subject to an annual impairment test. In 2007 and 2006, the Company determined there was no impairment to the carrying value of goodwill. The decrease in goodwill in 2007 relates to the translation of the Company's goodwill balance of US$962,000 into Canadian dollars at a lower year-end U.S. dollar exchange rate than at December 31, 2006.

Total liabilities at December 31, 2007 rose by $22,974,000 to $67,936,000 compared to last year-end. The increase principally resulted from a rise in bank indebtedness.

Bank indebtedness increased by $21,520,000 or 81% to $48,207,000 at December 31, 2007 compared with $26,687,000 at December 31, 2006. Bank loans are secured primarily by factored receivables and loans to clients. The Company has no term debt outstanding. Bank indebtedness increased in 2007 as credit facilities were utilized to fund the $24.6 million rise in gross factored receivables and loans.

Amounts due to clients increased by $670,000 to $4,897,000 at December 31, 2007 compared to $4,227,000 at the end of 2006. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections a day or two after receipt and amounts due tend to fluctuate.

Accounts payable and other liabilities declined by $274,000 to $3,446,000 at December 31, 2007 compared to $3,720,000 last year-end. Last year's balance included $644,000 in respect of the fair value of an outstanding forward foreign exchange contract, which matured on June 15, 2007.

Income taxes payable totalled $1,012,000 at December 31, 2007 compared to $221,000 at the end of 2006. The increase represents taxes payable by one of the Company's subsidiaries, which was not required to make instalment payments in 2007.

Deferred income, which comprises the deferral of a portion of factoring commissions and discounts until collection of the underlying receivables (see note 3(d) to the Statements), declined to $806,000 at December 31, 2007 compared to $913,000 last year-end.

Notes payable increased by $372,000 to $9,567,000 at December 31, 2007 compared to $9,195,000 at December 31, 2006. Notes payable represent funds borrowed on an unsecured basis and repayable on demand from shareholders, management, employees, other related individuals and third parties. These notes bear interest at bank prime rate less one half of one percent per annum, which is cheaper than the rate of interest that the Company borrows from its banks. The increase in 2007 principally resulted from accrued interest on existing notes.

Capital stock increased by $225,000 in 2007 to $6,216,000 at December 31, 2007. Note 11(b) to the Statements provides details of changes in the Company's issued and outstanding common shares during 2007 and 2006. During 2007, 53,000 stock options were exercised by directors and key management employees for proceeds of $245,000, while $7,000 was transferred to capital stock from contributed surplus upon the exercise of these stock options. Offsetting these increases was a $27,000 reduction in capital stock in respect of shares repurchased and cancelled by the Company pursuant to the terms of its Bid. Note 11(c) to the Statements provides details of the Company's Bid. During 2007, 41,600 common shares were repurchased and cancelled under the Company's Bid at a cost of $333,000 (an average price of $8.00 per common share). This amount was applied to reduce capital stock and retained earnings by $27,000 and $306,000, respectively.

There were 9,454,171 common shares outstanding at December 31, 2007 compared with 9,442,771 a year earlier.

Details of the Company's stock option plans and options outstanding at December 31, 2007

are set out in note 11(e) to the Statements. The Company has not issued any options to employees or directors since May 2004 and currently does not plan to do so. During 2007, the Company established a share appreciation rights ("SARs") plan whereby SARs may be granted to directors and key managerial employees of the Company. Details of the SARs plan are set out in note 11(f) to the Statements. No SARs have yet been granted.

Contributed surplus totalled $196,000 at December 31, 2007 compared to $201,000 at December 31, 2006. The small decrease in 2007 comprised the $7,000 that was transferred from contributed surplus to capital stock less the Company's stock-based compensation expense for 2007. Please refer to note 11(d) to the Statements. As all of the Company's outstanding stock options are now fully vested there will be no further stock-based compensation expense to record in future periods related to stock options unless additional options are granted, which, as noted above, is not anticipated.

Retained earnings increased by $3,900,000 in 2007 to $41,680,000 at December 31, 2007 compared to $37,780,000 at December 31, 2006. The increase in 2007 comprised net earnings of $6,287,000 less dividends paid of $2,081,000 (22 cents per common share) and the premium paid on the shares repurchased under the Bid of $306,000. Please refer to the Consolidated Statements of Retained Earnings on page 35 of this Annual Report.

Accumulated other comprehensive loss comprises the unrealized foreign exchange loss arising on the translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary into Canadian dollars. This was formerly the cumulative translation adjustment account. This was negative $8,895,000 at December 31, 2007 compared to negative $4,255,000 at December 31, 2006. The decrease was caused by the 15% decline in value of the U.S. dollar against the Canadian dollar in 2007; the U.S. dollar declined against the Canadian dollar from 1.165 at December 31, 2006 to 0.991 at December 31, 2007. This reduced the Canadian dollar equivalent of the Company's net investment in its U.S. subsidiary of approximately US$28 million by $4,640,000 in 2007.

Liquidity and Capital Resources

The Company's financing and capital requirements generally increase with the level of factored receivables and 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. Bank borrowings are usually margined as a percentage of outstanding factored receivables and loans. The Company can also raise funds through its notes payable program.

The Company had bank credit lines totalling approximately $90 million at December 31, 2007 and had borrowed approximately $48 million against these facilities. Funds generated through operating activities, notes payable and share issuances decrease the usage of, and dependence on, these lines.

As noted in the Review of Balance Sheet section above, the Company had cash of $1,148,000 at December 31, 2007, a decrease of $1,002,000 during 2007. Cash on hand is usually maintained at a minimum and surplus cash is used to repay bank indebtedness.

Cash inflow from earnings before changes in operating assets and liabilities totalled $7,349,000 in 2007, a decrease of 18% compared with $8,997,000 last year. After net cash flows due to changes in operating assets and liabilities are taken into account, there was a net cash outflow from operating activities of $20,271,000 in 2007, compared with a net cash inflow of $11,018,000 last year. Funding $28,993,000 of gross factored receivables and loans explains the net cash outflow in 2007. Changes in operating assets and liabilities in 2007 are discussed in the

Review of Balance Sheet section above and detailed in the Company's Consolidated Statements of Cash Flows on page 36 of this Annual Report.

Net cash outflows from investing activities totalled $86,000 in 2007 compared to $48,000 last year and comprised net capital asset additions. In 2006, cash expended on net capital asset additions of $123,000 was partially offset by the $75,000 received from the sale of the Company's interest in LCC.

Net cash inflows from financing activities totalled $20,185,000 in 2007 compared to net cash outflows of $10,097,000 last year. In 2007, bank indebtedness increased by $21,915,000, while $439,000 was raised from the issue of notes payable and $245,000 was received from the issuance of 53,000 shares pursuant to the exercise of stock options. Offsetting these cash inflows were dividend payments of $2,081,000 and the repurchase of 41,600 common shares under the Bid at the cost of $333,000. In 2006, bank indebtedness of $5,906,000 was repaid, while 573,100 shares were repurchased under the Bid at a cost of $4,466,000 and dividends totalling $1,966,000 (20 cents per common share) were paid. Offsetting these cash outflows was cash of $1,897,000 and $344,000 received from the issue of notes payable and 86,000 common shares, respectively.

Contractual Obligations and Commitments at December 31, 2007

(in thousands of dollars)	Payments due in: Less than one year	Two and three years	Four and five years	After five years	Total
Operating lease obligations	$ 315	$ 633	$ 559	$ 488	$ 1,995
Purchase obligations	7	—	—	—	7
	$ 322	$ 633	$ 559	$ 488	$ 2,002

The effect of exchange rate changes on cash in 2007 comprised a $830,000 decrease compared to a $109,000 increase in 2006. The decrease in 2007 was largely due to the decline in the value of the U.S. dollar against the Canadian dollar.

Overall, there was a net cash outflow of $1,002,000 in 2007 compared to a net cash inflow of $982,000 in 2006.

Management believes that current cash balances and existing credit lines together with cash flow from operations will be sufficient to meet the cash requirements of working capital, capital expenditures, operating expenditures, dividend payments and share repurchases and provide sufficient liquidity and capital resources for future growth in 2008.

Related Party Transactions

As noted above, the Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand and bear interest at the bank prime rate less one half of one percent per annum, which is below the rate of interest charged by the Company's banks. Notes payable at December 31, 2007 increased by $372,000 to $9,567,000 compared with $9,195,000 at December 31, 2006. Interest expense on these notes totalled $534,000 in 2007 compared to $447,000 last year. A breakdown between amounts payable to related parties and to third parties and the respective interest expense is set out in note 10 to the Statements.

During December 2006, the Company disposed of its 25% interest in LCC for $75,000, which was included in 2006 revenue. Net of tax, the Company recorded a gain of $57,000 on the sale. At December 31, 2006, the Company was owed $418,000 by LCC, which monies were advanced to fund LCC's U.S. expansion. This amount was included in the total of factored receivables and loans. During 2006 interest income of $48,000 was earned on the loan to

LCC, while the Company paid commissions of $257,000 to LCC in respect of business referred to it by LCC and its franchisees.

Financial Instruments

Financial assets, such as cash, bank indebtedness, amounts due to clients, accounts payable and other liabilities, and notes payable are recorded at fair value. Factored receivables and loans are recorded at cost but are short term in nature and, therefore, their carrying values approximate fair values. Financial liabilities that are held for trading or are derivatives or guarantees are measured at fair value on the consolidated balance sheet. Non-trading financial liabilities are measured at amortized cost.

The Company has entered into forward foreign exchange contracts with a financial institution that mature between January 3, 2008 and May 30, 2008 and oblige the Company to sell Canadian dollars and buy US$1,175,000 at an exchange rate of 0.9526. The contracts were entered into by the Company on behalf of one of its clients and similar forward foreign exchange contracts were entered into between the Company and the client whereby the Company will buy Canadian dollars from and sell the US$1,175,000 to the client. The favorable and unfavorable fair values of these contracts have been recorded on the Company's balance sheet in other assets and accounts payable and other liabilities, respectively. There was no foreign exchange gain or loss to the Company as a result of entering into these contracts.

As at December 31, 2006, the Company had entered into a forward foreign exchange contract with a financial institution that matured on June 15, 2007 and obliged the Company to sell Canadian dollars and buy US$3,000,000 at an exchange rate of 1.398. The contract was entered into by the Company for the purpose of managing its foreign exchange exposure on a US$3,000,000 loan. The Company recognized a liability of $644,000 in respect of the fair value of the contract at December 31, 2006. This liability was included in the total of accounts payable and other liabilities at December 31, 2006. There was no gain or loss to the Company as a result of entering into this contract.

Critical Accounting Policies and Estimates

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

i) the allowance for credit and loan losses on both its 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 the fair value of 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. 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. Please refer to 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 significant claims currently outstanding.

Adoption of New Accounting Policies

Effective January 1, 2007 the Company adopted The Canadian Institute of Chartered Accountants ("CICA") new accounting standards comprising handbook sections 3855 "Financial Instruments – Recognition and Measurement", 3865 "Hedges", 1530 "Comprehensive Income", and 3251 "Equity". These standards provide guidance on the recognition, measurement and classification of financial assets, financial liabilities and non-financial derivatives. All financial assets, including derivatives, are measured at fair value on the consolidated balance sheets with the exception of loans, receivables, investments classified as held to maturity and certain private equity investments, which are measured at cost or amortized cost. Financial liabilities that are held for trading or are derivatives or guarantees are measured at fair value on the consolidated balance sheets. Non-trading financial liabilities are measured at amortized cost. These standards also establish the accounting requirements for hedges. Any hedge ineffectiveness is charged immediately to earnings. Accumulated other comprehensive income or loss is now included on the consolidated balance sheets as a separate component of shareholders' equity. The new standards also require that the Company present a consolidated statement of comprehensive income, which is set out on page 35 of this report. There were no changes in the carrying value of financial instruments as a result of adopting these new standards.

Future Changes in Accounting Policies

The CICA has issued two new accounting standards on financial instruments comprising handbook sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation", which apply to interim and annual financial statements. These sections revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be effective for the Company commencing January 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the Company is exposed and how it manages those risks.

Controls and Procedures

Disclosure controls and procedures

The Company's management, including its President and Chief Financial Officer, are responsible for establishing and maintaining the Company's disclosure controls and procedures and has designed same to provide reasonable assurance that material information relating to the Company is made known to it by others within the Company on a timely basis. The Company's management has evaluated the effectiveness of its disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA")) as at December 31, 2007 and has concluded that such disclosure controls and procedures are effective.

Management's annual report on internal control over financial reporting

The following report is provided by the Company's management, including its President and Chief Financial Officer, in respect of the Company's internal control over financial reporting (as defined in the rules of the CSA):

(i) the Company's management is responsible for establishing and maintaining adequate internal control over financial reporting within the Company. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation;

(ii) the Company's management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

framework to evaluate the design of the Company's internal control over financial reporting; and

(iii) the Company's management has designed its internal control over financial reporting as at December 31, 2007 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with GAAP and advises that there are no material weaknesses in the design of internal control over financial reporting that have been identified by management.

Risks and Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance. Although management remains optimistic about the Company's long-term prospects, future results are subject to substantial risks and uncertainties which are beyond its control. Typical risk factors that may impact on the Company's results include, but are not limited to, the factors discussed below.

Competition

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

Economic slowdown

The Company operates 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. Further, the Company's clients and their customers are often adversely affected by economic slowdowns and this can lead to increases in credit and loan losses.

Credit risk

The Company is in the business of factoring its clients' receivables and making asset-based loans. The Company's portfolio totalled approximately $206 million at December 31, 2007. Operating results may be adversely affected by large bankruptcies and/or insolvencies.

Interest rate risk

The Company's agreements with its clients (interest revenue) and lenders (interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to some degree. However, as the Company's factored receivables and loans currently substantially exceed its borrowings, the Company is exposed to some degree to interest rate fluctuations.

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 to 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 affect its operating results upon the translation of its U.S. subsidiary's results into Canadian dollars. It has also caused a significant decrease in the value of the Company's net Canadian dollar investment in its U.S. subsidiary, which has reduced the accumulated other comprehensive income or loss component of shareholders' equity.

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 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 standards of credit. Recent marketing initiatives and alliances are continuing to bear fruit. Among initiatives, MFC has a long-standing referral program with Bank of Nova Scotia, which includes an export factoring program marketed to the bank's customers and future referrals. Our U.S. operation, which is active within the turnaround management industry, is starting to see accelerated deal flow as the credit market in the U.S. tightens.

Through experienced management and employees, coupled with its financial resources, the Company is well positioned to meet increased competition and develop new opportunities. It continues to look to introduce new financial and credit services to fuel growth in a very competitive and challenging environment. Finally, it continues to seek promising companies or loan portfolios to acquire.

Stuart Adair
Chief Financial Officer
March 3, 2008

Summary of 2007 Highlights

- Net earnings, the fourth highest ever, declined by 12% to $6,287,000 in 2007.
- Diluted earnings per share fell by 8% to 66 cents.
- Return on average shareholders' equity was a solid 16.0%.
- Factoring volume rose by 6% to a record $1.5 billion.
- Revenue decreased by 2% to $28.3 million in 2007, but was still the third highest ever.
- General and administrative expenses at 46% of revenue in 2007, equalled the lowest percentage in the last 10 years, and, in actual dollars, were the lowest in the last 8 years.
- Gross factored receivables and loans rose by 30% to a record $106 million at Dec. 31, 2007.
- The Company repurchased 41,600 common shares pursuant to its normal course issuer bids in 2007.
- Dividends of 22 cents per common share were paid.

Ten Year Financial Summary 1998-2007

All figures are in thousands of dollars except factoring volume (in millions) and earnings, dividends and book value per share and share price history.

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Factoring volume	$	1,097	1,304	1,372	1,253	1,366	1,439	1,489	1,424	1,417	**1,497**
Revenue	$	20,275	26,144	31,031	28,197	26,235	26,214	27,418	26,230	28,864	**28,346**
Interest		493	1,697	2,516	1,569	757	773	1,225	1,762	2,391	**2,992**
General and administrative		11,049	12,635	14,422	14,422	14,324	14,175	13,760	14,892	13,290	**13,143**
Provision for credit and loan losses		1,061	1,403	1,328	6,754	1,189	1,231	422	1,074	1,961	**2,402**
Depreciation and amortization		590	820	654	828	408	418	416	338	322	**209**
Provision for settlement of claim		—	—	—	—	2,339	712	—	—	—	**—**
Total expenses		13,193	16,555	18,920	23,573	19,017	17,309	15,823	18,066	17,964	**18,746**
Earnings before income tax expense		7,082	9,589	12,111	4,624	7,218	8,905	11,595	8,164	10,900	**9,600**
Income tax expense		2,317	3,405	4,683	1,705	2,569	3,066	3,971	2,861	3,783	**3,313**
Earnings before extraordinary gain		4,765	6,184	7,428	2,919	4,649	5,839	7,624	5,303	7,117	**6,287**
Extraordinary gain		—	—	—	—	—	—	—	907	—	**—**
Net earnings	$	4,765	6,184	7,428	2,919	4,649	5,839	7,624	6,210	7,117	**6,287**
Earnings per common share											
Basic	$	0.51	0.66	0.79	0.31	0.49	0.61	0.78	0.63	0.73	**0.66**
Diluted	$	0.49	0.64	0.76	0.30	0.49	0.61	0.76	0.62	0.72	**0.66**
Dividends per common share	$	0.10	0.12	0.14	0.14	0.14	0.16	1.68	0.18	0.20	**0.22**
Factored receivables and loans	$	40,672	55,838	70,156	63,075	64,882	69,479	71,136	84,270	79,863	**103,940**
Other assets		4,360	7,349	9,797	4,807	7,186	6,005	2,909	5,834	4,816	**3,193**
Total assets	$	45,032	63,187	79,953	67,882	72,068	75,484	74,045	90,104	84,679	**107,133**
Bank indebtedness	$	7,559	20,714	30,748	11,732	10,298	20,045	15,608	32,592	26,687	**48,207**
Due to clients		3,594	4,852	3,487	7,932	6,783	4,309	5,532	5,092	4,227	**4,897**
Accounts payable and other liabilities		4,391	4,219	3,941	2,553	5,952	2,932	5,227	5,565	3,940	**4,459**
Deferred income		753	1,028	1,124	937	956	916	908	992	913	**806**
Notes payable		974	742	1,466	2,119	2,451	2,482	11,778	7,298	9,195	**9,567**
Total liabilities		17,271	31,555	40,766	25,273	26,440	30,684	39,053	51,539	44,962	**67,936**
Shareholders' equity		27,761	31,632	39,187	42,609	45,628	44,800	34,992	38,565	39,717	**39,197**
Total liabilities and equity	$	45,032	63,187	79,953	67,882	72,068	75,484	74,045	90,104	84,679	**107,133**
Shares outstanding at Dec. 31		9,337	9,383	9,503	9,503	9,513	9,650	9,876	9,930	9,443	**9,454**
Book value per share at Dec. 31	$	2.97	3.37	4.12	4.48	4.80	4.64	3.54	3.88	4.21	**4.15**
Share price - high	$	5.75	5.75	6.60	6.65	5.85	7.55	11.25	8.80	8.25	**9.45**
- low	$	4.00	4.25	5.00	4.56	4.80	4.95	6.50	6.70	7.00	**7.72**
- close at Dec. 31	$	4.30	5.50	5.60	5.10	5.05	7.05	8.75	7.05	7.75	**8.00**

Board of Directors

Accord's Board of Directors reviews business recommendations put forth by management, scrutinizes financial results, and evaluates compensation and human resource issues. The ultimate goal of the Board is to direct and assist management in building and enhancing shareholder value. Business experience, sound judgement and varied skill sets provide solid benefits to the Company.

Ken Hitzig
Toronto, Ontario

Mr. Hitzig founded Accord 30 years ago and has seen his initial vision grow into a highly successful North American factoring and finance company. In addition to a B.Comm. from McGill University and a C.A. designation, Mr. Hitzig has over 45 years experience in the factoring industry.

Frank D. White
Mount Royal, Quebec

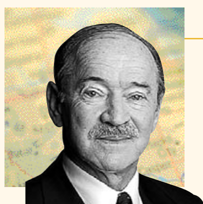
Mr. White is the owner of several independent businesses, including TMS Truck Masters, and has served as a director of Accord since 1992. With a B.Comm., a C.A. designation and over 45 years business experience, Mr. White serves on the Board's Audit Committee. Mr. White is also a member of the Board of Governors of Dynamic Mutual Funds.

Robert J. Beutel
Toronto, Ontario

Mr. Beutel holds an M.S.E. from the University of Michigan and has served on the Board of Directors since 1990. Mr. Beutel is president of Oakwest Corporation Limited, a private investment management and holding company. He is also chairman and director of Strongco Income Fund and Hanfeng Evergreen Inc. and a director of Firan Technology Group Corporation and Firm Capital Mortgage Investment Trust.

Ben Evans
Stamford, Connecticut

Mr. Evans is a Certified Public Accountant with over 50 years of business experience. He has served as both a partner and a consultant with Ernst & Young, New York City, specializing in factoring and finance companies, and in advising creditors in insolvencies. Mr. Evans is a member of the Board's Audit Committee. He also serves as a director of The Penn Traffic Company, a U.S. listed company.



John D. Lamont
Oakville, Ontario

Mr. Lamont has served on the Board of Directors of the Company since 1988 and contributes close to 50 years of hands-on business experience. A licensed customs broker, Mr. Lamont is chairman and CEO of Lamont Management Inc. and over the last two decades has been involved in the acquisition of 17 companies. A member of the Audit and Compensation Committees, Mr. Lamont also serves as a director of other entrepreneurial companies.

Austin C. Beutel
Toronto, Ontario

Mr. Beutel has been a member of Accord's Board of Directors since its establishment 30 years ago. He holds an M.B.A. (Harvard) and is a Chartered Financial Analyst with 50 years of business experience. Mr. Beutel is chairman of the Board's Audit Committee and a member of its Compensation Committee. Mr. Beutel also serves as chairman and director of The Equitable Group Inc., and as a director of Astral Media Inc., Aecon Group Inc. and Opta Minerals, Inc.

H. Thomas Beck
Toronto, Ontario

A member of the Board since Accord began, Mr. Beck brings with him over 50 years of corporate experience building and operating a large manufacturing company. Mr. Beck serves on the Board's Compensation Committee. He also sits on the Board of Directors of the Weizmann Institute of Science. Mr. Beck holds a P.Eng. and B.Sc. (Eng.) from London University.

Jeremy R. Hitzig
New York, New York

Mr. Hitzig is chief executive officer and a director of The Distinguished Programs Group LLC, a New York-based company specializing in property and casualty insurance for the real estate industry. Distinguished's operating units also include ReSource Pro, a back office support and remote staffing operation in Qingdao, China. Mr. Hitzig is a graduate of McGill University and received his M.B.A. from Columbia Business School in New York. He also holds the Chartered Financial Analyst and Chartered Property and Casualty Underwriter designations.

Corporate Governance

The Board of Directors ("Board") and management of the Company are committed to strong corporate governance and believe it is a vital component for the effective and efficient operation and future success of the Company. Good corporate governance demonstrates the Board's ability to independently direct and evaluate the performance of the Company's management as well as that of the Board members themselves. This is achieved through a well qualified Board, a strong relationship between the Board and senior management, and strong governance practices and procedures.

The Company has considered the guidance provided by the CSA's National Policy 58-201 ("NP 58-201") in developing its corporate governance practices. NP 58-201 is intended to assist companies in improving their corporate governance practices and contains guidelines on issues such as the constitution and independence of corporate boards and their functions. The Company's corporate governance practices generally comply with NP 58-201's fundamental principles. The Company also follows the provisions of CSA National Instrument 58-101 with respect to disclosure of its corporate governance practices.

CSA has also enacted rules regarding the composition of audit committees (Multilateral Instrument 52-110 - Audit Committees) and the certification of an issuer's disclosure controls and procedures and design of internal control over financial reporting (Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings). The Company is currently in compliance with the requirements of these instruments.

The Company's corporate governance practices are outlined below.

Mandate and Responsibilities of the Board

The shareholders of Accord elect the members of the Board who in turn are responsible for overseeing all aspects of the Company's business, including appointing management and ensuring that the business is managed properly, taking into account the interests of the shareholders and other stakeholders, such as employees, clients, suppliers and the community at large. The Board's duties are formally set out in its Charter. In addition to the Board's statutory obligations, the Board is specifically responsible for the following:

(i) satisfying itself as to the integrity of the Company's President and other executive officers and that they create a culture of integrity within the Company;
(ii) adoption of a strategic planning process – the Board participates in strategic and operational planning initiatives as they develop, provides direction to management and monitors its success in achieving those initiatives;
(iii) identification of the principal risks of the Company's business and ensuring that there are systems in place to effectively monitor and manage these risks. In this respect, the Board reviews and approves all credit above $1,000,000, including loans to clients and assumption of credit risk;
(iv) appointing, training and monitoring senior management and planning for succession – the Board evaluates senior management on a regular basis, sets objectives and goals and establishes compensation to attract, retain and motivate skilled and entrepreneurial management;
(v) a communications policy to communicate with shareholders and other stakeholders involved with the Company – the Company has a policy in place to disseminate information, respond to inquiries, issue press releases covering significant business activities and display information on the Company's web site;
(vi) the integrity of the Company's internal control and management information systems – the Audit Committee oversees the integrity of the Company's internal control and management information systems and reports to the Board;
(vii) reviewing the Company's quarterly and annual financial statements, MD&A and related press releases, and overseeing its compliance with applicable audit, accounting and reporting requirements through the functions of its Audit Committee; and
(viii) ensuring strong governance is in place by establishing structures and procedures to allow the Board to function independently of management, establishing Board committees to assist it in carrying out its responsibilities and undertaking regular self-evaluation as to the effectiveness and independence of the Board.

In addition to those matters which must by law be approved by the Board, management seeks Board approval for any transaction which is outside of the ordinary course of business or could be considered to be material to the business of the Company. The frequency of the meetings of the Board, as well as the nature of agenda items, change depending upon the state of the Company's affairs and in light of opportunities or risks which the Company faces. The Board meets at least quarterly to review the business operations and financial results of the Company, including regular meetings both with, and without, management to discuss specific aspects of the operations of the Company. Each director is expected to attend all Board meetings and comprehensively review meeting materials provided in advance of each meeting. During 2007 there were four meetings of the Board of Directors, which were attended by all directors with the exception of Mr. Robert Beutel, who attended three meetings.

Composition of the Board

The Board, as shown on page 30, currently comprises eight persons. Of the current board, seven directors are considered to be independent, since their respective relationships to the Company are independent of management and free from any interest or business which could, or could reasonably be perceived to, materially interfere with or compromise each director's ability to act independently with a view to the best interests of the Company, other than interests arising from shareholdings. Mr. Ken Hitzig, President, is an officer of the Company and is, by definition, a related director. All directors stand for re-election annually. A number of directors also act as directors of other public companies.

These directorships, if any, are set out in each Board member's biography on page 30.

The Board has considered its size and the number of directors and believes that the current size facilitates effective decision-making and direct and immediate communication between the directors and management. It also permits individual directors to involve themselves directly in specific matters where their personal inclination or experience will best assist the Board and management in dealing with specific issues.

The Board has neither a corporate governance committee nor a nominating committee preferring instead to perform these functions directly at the Board level. The Board and its committees have had, and continue to have, varied responsibilities. They include nominating new directors, assessing the effectiveness of the Board, its committees and members individually and as a whole, approving requests of directors to engage outside advisors at the expense of the Company and reviewing the adequacy and form of compensation of directors. Directors' compensation is set after giving due consideration to the directors' workload and responsibilities and reviewing compensation paid to directors of similar-sized public companies.

The Board does not have a formal chair or "lead" director and it is felt that, given the current structure of the Board and the fact that seven of its eight members are independent of management, one is not needed. The Board believes that there are adequate structures in place to facilitate the functioning of the Board independent of management without the need for a chair. Should the need develop in the future, the Board will consider whether a formal or acting chair or a "lead" director is required.

Given the fact that there have only been two new directors of the Company in the past fifteen years, no formal orientation and education program for new directors is currently considered necessary. However, as individual circumstances dictate, each new director receives a detailed orientation to the Company, which covers the nature and operations of the Company's business and his responsibilities as a director.

Directors are also expected to continually educate themselves to maintain the skill and knowledge necessary for them to meet their obligations as directors. They do this principally through attendance at seminars and the review of publications and materials relevant to a director's role as provided by the Company's management, external auditors, lawyers, other directorships and/or other outside sources.

Committees of the Board

The Board discharges its responsibilities directly and through two committees: an Audit Committee and a Compensation Committee.

The Audit Committee is composed of Mr. Austin Beutel, Chairman, Mr. Ben Evans, Mr. John Lamont and Mr. Frank White, each of whom is an independent director. Each member of the Audit Committee is financially literate, that is, they are able to read and understand fundamental financial statements. The Charter of the Audit Committee sets out the Committee's responsibilities which include reviewing quarterly and annual financial statements and MD&A and related press releases before they are approved by the Board; making recommendations to the Board regarding the appointment of independent auditors and assuring their independence; meeting with the Company's management at least quarterly; reviewing annual audit findings with the auditors and management; and reviewing the risks faced by the Company, the business environment, the emergence of new opportunities, and the steps management has taken to mitigate exposure to significant risks. During 2007 there were four meetings of the Audit Committee, which were attended by all four members.

The Audit Committee has adopted a corporate Code of Ethics and a "whistleblower policy" whereby any director, officer or employee of the Company or its subsidiaries who is aware of acts by a director, officer or employee which are in contravention of the standards of business and personal ethics required of them by the Company, or in violation of applicable laws and regulations, is required to bring such matters to the attention of management or directly to the Chairman of the Audit Committee. All reported violations will be investigated and appropriate corrective action taken if warranted.

The Compensation Committee is composed of Mr. Austin Beutel, Mr. John Lamont and Mr. Thomas Beck, each of whom is an independent director. The Compensation Committee's mandate includes evaluating the performance of the Company's executives and making recommendations for approval by the Board with respect to their remuneration. The Compensation Committee reviews compensation paid to management of similar-sized companies to ensure that remuneration is consistent with industry standards. The Compensation Committee also considers and makes recommendations with respect to such matters as incentive plans, employee benefit plans and the structure and granting of stock options or share appreciation rights. A report on executive compensation is included in the Company's Management Proxy Circular each year. During 2007 there were three meetings of the Compensation Committee, which were attended by all three members.

Expectations of Management

The Board expects management to adhere to the highest standards of business and personal ethics and to conduct itself with the utmost degree of honesty and integrity in fulfilling its duties and responsibilities and complying with all applicable laws and regulations. The Board expects management to operate the Company in accordance with approved annual business and strategic plans, to do everything possible to enhance shareholder value and to manage the Company in a prudent manner. Management is expected to provide regular financial and operating reports to the Board and to make the Board aware of all important issues and major business developments, particularly those that had not been previously anticipated. Management is expected to seek opportunities for business acquisitions and expansion, and to make appropriate recommendations to the Board.

Management's Report to the Shareholders

The management of Accord Financial Corp. is responsible for the preparation, presentation and integrity of the consolidated financial statements, financial information and MD&A contained in this annual report. This responsibility includes the selection of the Company's accounting policies in addition to judgments and estimates in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The accounting principles which form the basis of the consolidated financial statements and the more significant policies applied are described in notes 2 and 3 to the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of the CSA's National Instrument 51-102.

In order to meet its responsibility for the reliability and timeliness of financial information, management maintains systems of accounting and administrative controls that assure, on a reasonable basis, the reliability of financial information and the orderly and efficient conduct of the Company's business. A report on the design and effectiveness of the Company's disclosure controls and the design of its internal control over financial reporting is set out in the MD&A as required by CSA's Multilateral Instrument 52-109.

The Company's Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of four independent directors. The Committee meets at least quarterly with management and periodically with the Company's auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and MD&A and to recommend approval of the consolidated financial statements and MD&A to the Board.

KPMG LLP, independent auditors appointed by the shareholders, express an opinion on the fair presentation of the consolidated financial statements. They have full and unrestricted access to the Audit Committee and management to discuss matters arising from their audit, which includes a review of the Company's accounting records and internal controls.

Stuart Adair
Chief Financial Officer

Toronto, Canada
February 1, 2008

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Accord Financial Corp. as at December 31, 2007 and 2006 and the consolidated statements of earnings, comprehensive income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants,
Licensed Public Accountants

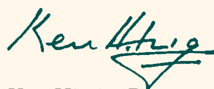
Toronto, Canada
February 1, 2008

Consolidated Balance Sheets

At December 31	2007	2006
Assets		
Factored receivables and loans, net (notes 4 and 5)	$ 103,939,783	$ 79,862,733
Cash	1,147,684	2,150,126
Other assets	272,151	228,501
Future income taxes, net (note 13)	223,297	584,013
Capital assets (note 6)	596,597	732,928
Goodwill (note 7)	953,330	1,120,761
	$ 107,132,842	$ 84,679,062
Liabilities		
Bank indebtedness (note 8)	$ 48,206,627	$ 26,686,667
Due to clients	4,897,403	4,226,682
Accounts payable and other liabilities	3,446,184	3,719,852
Income taxes payable	1,012,337	220,796
Deferred income	806,304	912,986
Notes payable (note 10)	9,567,112	9,194,764
	67,935,967	44,961,747
Shareholders' equity		
Capital stock (note 11)	6,215,914	5,990,645
Contributed surplus (note 11(d))	195,562	201,396
Retained earnings	41,680,286	37,779,781
Accumulated other comprehensive loss (note 18)	(8,894,887)	(4,254,507)
	39,196,875	39,717,315
Commitments and contingencies (notes 4, 15, 16 and 17)		
	$ 107,132,842	$ 84,679,062
Common shares outstanding (note 11)	9,454,171	9,442,771

See accompanying notes to consolidated financial statements.

On behalf of the Board



Ken Hitzig, Director

Austin C. Beutel, Director

Consolidated Statements of Earnings

Years ended December 31	2007	2006
Revenue		
Factoring commissions, discounts, interest and other income	$ 28,345,999	$ 28,863,716
Expenses		
Interest	2,992,114	2,390,650
General and administrative (note 9)	13,143,314	13,289,460
Provision for credit and loan losses	2,401,329	1,961,357
Depreciation	209,277	322,250
	18,746,034	17,963,717
Earnings before income tax expense	9,599,965	10,899,999
Income tax expense (note 13)	3,313,000	3,783,000
Net earnings	$ 6,286,965	$ 7,116,999
Earnings per common share (note 14)		
Basic	$ 0.66	$ 0.73
Diluted	$ 0.66	$ 0.72
Weighted average number of common shares (note 14)		
Basic	9,463,231	9,802,730
Diluted	9,575,387	9,935,873

Consolidated Statements of Comprehensive Income

Years ended December 31	2007	2006
Net earnings	$ 6,286,965	$ 7,116,999
Other comprehensive (loss) income: unrealized foreign exchange (loss) gain on translation of self-sustaining foreign operation, net of tax	(4,640,380)	113,544
Comprehensive income	$ 1,646,585	$ 7,230,543

Consolidated Statements of Retained Earnings

Years ended December 31	2007	2006
Retained earnings at January 1	$ 37,779,781	$ 36,737,298
Net earnings	6,286,965	7,116,999
Dividends paid	(2,081,147)	(1,966,028)
Premium on shares repurchased for cancellation (note 11(c))	(305,313)	(4,108,488)
Retained earnings at December 31	$ 41,680,286	$ 37,779,781

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31	2007	2006
Cash provided by (used in)		
Operating activities		
Net earnings	$ 6,286,965	$ 7,116,999
Items not involving cash		
Allowances for losses, net of charge-offs and recoveries	586,512	(110,423)
Deferred income	(81,626)	(79,152)
Depreciation	209,277	322,250
Future income tax expense	346,548	1,793,941
Stock-based compensation expense	1,406	10,458
Gain on sale of investment in affiliate (note 5)	—	(57,063)
	7,349,082	8,997,010
Changes in operating assets and liabilities		
Factored receivables and loans, gross	(28,992,798)	4,446,750
Due to clients	843,922	(865,520)
Income taxes payable	818,551	118,350
Other assets	(68,828)	8,236
Accounts payable and other liabilities	(221,259)	(1,686,639)
	(20,271,330)	11,018,187
Investing activities		
Additions to capital assets, net	(86,338)	(122,651)
Proceeds on sale of investment in affiliate (note 5)	—	75,000
	(86,338)	(47,651)
Financing activities		
Bank indebtedness	21,914,764	(5,906,129)
Notes payable issued	438,761	1,896,951
Issuance of shares	245,350	343,900
Repurchase and cancellation of shares	(332,634)	(4,466,086)
Dividends paid	(2,081,147)	(1,966,028)
	20,185,094	(10,097,392)
Effect of exchange rate changes on cash	(829,868)	108,659
(Decrease) increase in cash	(1,002,442)	981,803
Cash at January 1	2,150,126	1,168,323
Cash at December 31	$ 1,147,684	$ 2,150,126
Supplemental cash flow information		
Interest paid	$ 2,604,740	$ 2,104,321
Income taxes paid	$ 2,450,923	$ 1,830,868

See accompanying notes to consolidated financial statements.

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 of America.

2. Basis of presentation

These financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

3. Significant accounting policies

(a) *Adoption of new accounting policies*

Effective January 1, 2007 the Company adopted The Canadian Institute of Chartered Accountants ("CICA") new accounting standards comprising handbook sections 3855 "Financial Instruments – Recognition and Measurement", 3865 "Hedges", 1530 "Comprehensive Income", and 3251 "Equity". These standards provide guidance on the recognition, measurement and classification of financial assets, financial liabilities and non-financial derivatives. All financial assets, including derivatives, are measured at fair value on the consolidated balance sheets with the exception of loans, receivables, investments classified as held-to-maturity and certain private equity investments, which are measured at cost or amortized cost. Financial liabilities that are held-for-trading or are derivatives or guarantees are measured at fair value on the consolidated balance sheets. Non-trading financial liabilities are measured at amortized cost. The new standards also establish the accounting requirements for hedges. Any hedge ineffectiveness is charged immediately to earnings. Accumulated other comprehensive income or loss is now included on the consolidated balance sheets as a separate component of shareholders' equity. The new standards also require that the Company present a consolidated statement of comprehensive income or loss. There were no changes in the carrying value of financial instruments as a result of adopting these new standards.

(b) *Basis of consolidation*

These financial statements consolidate the accounts of the Company and its wholly owned subsidiaries, namely, in Canada, Accord Business Credit Inc. and Montcap Financial Corporation and in the United States, Accord Financial, Inc. Inter-company balances and transactions are eliminated upon consolidation.

(c) *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 years. Actual results could differ from those estimates. Estimates that are particularly judgmental relate to the determination of the allowance for losses relating to factored receivables and loans and to managed receivables (note 4). Management believes that both allowances for losses are adequate.

(d) *Revenue recognition*

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

(e) *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 the fair value of 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.

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

(f) *Capital assets*

Capital assets are stated at 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.

(g) *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 to income in the year in which the impairment is determined.

(h) *Income taxes*

The Company follows the asset and liability method of accounting for income taxes, whereby future income 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. Future income 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 future income tax assets is not considered to be more likely than not, a valuation allowance is provided.

(i) *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 foreign exchange gains and losses are credited or charged to other comprehensive income.

(j) *Foreign currency translation*

Assets and liabilities denominated in currencies other than the Canadian dollar 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 prevailing average monthly exchange rate. Translation gains and losses are credited or charged to earnings.

(k) *Earnings per common share*

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

(l) *Stock-based compensation*

The Company accounts for stock-based compensation awards, including stock options and share appreciation rights

("SARs") issued to employees and directors, using fair value based methods.

(m) 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.

4. Factored receivables and loans

	2007	2006
Factored receivables	$ 68,745,451	$ 57,838,875
Loans to clients	37,136,332	23,444,858
Factored receivables and loans, gross	105,881,783	81,283,733
Less allowance for losses	1,942,000	1,421,000
Factored receivables and loans, net	$103,939,783	$ 79,862,733

The activity in the allowance for losses on factored receivables and loans account during 2007 and 2006 was as follows:

	2007	2006
Allowance for losses at January 1	$ 1,421,000	$ 1,460,000
Provision for credit and loan losses	1,630,274	1,784,755
Charge-offs	(1,238,529)	(1,922,571)
Recoveries	189,767	101,393
Foreign exchange adjustment	(60,512)	(2,577)
Allowance for losses at December 31	$ 1,942,000	$ 1,421,000

The Company has also entered into agreements with clients whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At December 31, 2007, the gross amount of these managed receivables was $100,189,507 (2006 - $105,339,440). Management has provided an amount of $725,000 (2006 - $720,000) as an allowance for losses on the guarantee of these managed receivables which represents the fair value of these guarantees. As these managed receivables are off-balance sheet, this liability 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 2007 and 2006 was as follows:

	2007	2006
Allowance for losses at January 1	$ 720,000	$ 794,000
Provision for credit losses	771,055	176,602
Charge-offs	(820,012)	(293,826)
Recoveries	53,957	43,224
Allowance for losses at December 31	$ 725,000	$ 720,000

The nature of the Company's business requires it to fund or assume credit risk on receivables offered to it by its clients. All 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 $1,000,000, by the Company's Board of Directors. The Company monitors and controls its risks and exposures through financial, credit and legal reporting systems and, accordingly, believes that it has in place procedures for evaluating and limiting the credit risks to which it is subject.

5. Investment in and advances to affiliate

During December 2006, the Company disposed of its 25% interest in Liquid Capital Corp. ("LCC") for $75,000, which was included in revenue in 2006. Net of tax, the Company recorded a gain of $57,063 on the sale. At December 31, 2006, the Company was owed $417,927 by LCC, which monies were advanced to fund LCC's U.S. expansion. This amount was included in the total of factored receivables and loans. During 2006 interest income of $48,312 was earned on the loan to LCC, while the Company paid commissions of $257,467 to LCC in respect of business referred to it by LCC and its franchisees.

6. Capital assets

	2007	2006
Cost	$ 2,485,388	$ 2,703,615
Less accumulated depreciation	1,888,791	1,970,687
	$ 596,597	$ 732,928

7. Goodwill

	2007	2006
Goodwill	$ 1,629,867	$ 1,916,116
Less accumulated amortization	676,537	795,355
	$ 953,330	$ 1,120,761

Goodwill is tested for impairment annually or more frequently if impairment indicators arise. During 2007 and 2006, the Company conducted annual impairment reviews and determined there was no impairment to the carrying value of goodwill. The change in the goodwill balance in 2007 relates to the translation of the Company's goodwill balance of US$961,697 into Canadian dollars at a different prevailing year-end exchange rate.

8. Bank indebtedness

Revolving lines of credit totalling approximately $90 million have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. These lines of credit are collateralized primarily by factored receivables and loans to clients. At December 31, 2007, the amounts outstanding under these lines of credit totalled $48,206,627 (2006 - $26,686,667). The Company was in compliance with the loan covenants under these lines of credit as at December 31, 2007.

9. Consolidation of Montreal operations

On September 8, 2005, the Company announced that it was consolidating its Montreal factoring and asset-based lending operations into one office and that there would be staff and facility reductions. General and administrative expenses of $205,936 were incurred by the Company in 2006 in respect of this consolidation. The office consolidation process was completed in 2006.

10. 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 the bank prime rate less one-half of one percent per annum. Notes payable and related interest expense were as follows:

	2007		2006	
	Notes payable	Interest expense	Notes payable	Interest expense
Related parties	$8,334,760	$458,478	$7,705,970	$381,427
Third parties	1,232,352	75,926	1,488,794	65,653
	$9,567,112	$534,404	$9,194,764	$447,080

11. Capital stock, contributed surplus, stock options and share appreciation rights

(a) Authorized

The authorized capital stock of the Company consists of an unlimited number of first preferred shares, issuable in series, and an unlimited number of common shares.

The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board of Directors. At December 31, 2007 and 2006, there were no preferred shares issued and outstanding.

(b) Issued and outstanding

The common shares issued and outstanding are as follows:

	Number	Amount
Balance at Jan. 1, 2006	9,929,871	$5,975,338
Issued on exercise of stock options	86,000	343,900
Shares repurchased for cancellation	(573,100)	(357,598)
Transfer from contributed surplus	—	29,005
Balance at Jan. 1, 2007	9,442,771	$5,990,645
Issued on exercise of stock options	53,000	245,350
Shares repurchased for cancellation	(41,600)	(27,321)
Transfer from contributed surplus	—	7,240
Balance at Dec. 31, 2007	9,454,171	$6,215,914

The fair value of those stock options exercised is transferred from contributed surplus to capital stock upon exercise.

(c) Share repurchase program

On August 3, 2005, the Company received approval from the Toronto Stock Exchange ("TSX") to commence a normal course issuer bid (the "2005 Bid") for up to 497,278 of its common shares at prevailing market prices on the TSX. The 2005 Bid commenced August 5, 2005 and terminated on August 4, 2006. Under the 2005 Bid, the Company repurchased and cancelled 291,400 shares at an average price of $7.89 per share for a total consideration of $2,297,821. This amount was applied to reduce share capital and retained earnings by $177,245 and $2,120,576, respectively.

On August 2, 2006, the Company received approval from the TSX to commence a new normal course issuer bid (the "2006 Bid") for up to 488,158 of its common shares at prevailing market prices on the TSX. The 2006 Bid commenced August 8, 2006 and terminated on August 7, 2007. Under the 2006 Bid, the Company repurchased and cancelled 321,700 shares at an average price of $7.62 per share for a total consideration of $2,451,975. This amount was applied to reduce share capital by $204,091 and retained earnings by $2,247,884.

On August 1, 2007, the Company received approval from the TSX to commence a new normal course issuer bid (the "2007 Bid") for up to 474,723 of its common shares at prevailing market prices on the TSX. The 2007 Bid commenced August 8, 2007 and will terminate on the earlier of August 7, 2008 or the date on which a total of 474,723 common shares have been repurchased pursuant to its terms. All shares repurchased pursuant to the 2007 Bid will be cancelled. During the year ended December 31, 2007, the Company repurchased and cancelled 40,300 common shares acquired under the 2007 Bid at an average price of $8.00 per common share for a total consideration of $322,534, which was applied to reduce share capital by $26,496 and retained earnings by $296,038.

During the year ended December 31, 2007, the Company repurchased and cancelled 41,600 common shares acquired under the 2006 and 2007 Bids at an average price of $8.00 per common share for a total consideration of $332,634, which was applied to reduce share capital by $27,321 and retained earnings by $305,313. During the year ended December 31, 2006, the Company repurchased and cancelled 573,100 common shares acquired under the 2005 and 2006 Bids at an average price of $7.79 per common share for a total consideration of $4,466,086, which was applied to reduce share capital by $357,598 and retained earnings by $4,108,488.

(d) Contributed surplus

	2007	2006
Contributed surplus at Jan. 1	$ 201,396	$ 219,943
Stock-based compensation expense (note 12)	1,406	10,458
Transfer to capital stock (note 11(b))	(7,240)	(29,005)
Contributed surplus at Dec. 31	$ 195,562	$ 201,396

(e) Stock option plans

The Company has established an employee stock option plan. Under the terms of the plan, an aggregate of 1,000,000 common shares has been reserved for issue upon the exercise of options granted to key managerial employees of the Company and its subsidiaries. According to the terms of the plan, options may be earned upon the achievement by the Company of certain minimum earnings.

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

Options are granted to purchase common shares at prices not less than the market price of such shares on the grant date.

The Company has issued no options to employees or directors since May 2004 and currently does not plan to do so.

During 2007, there were 53,000 (2006 - 86,000) stock options exercised for cash proceeds of $245,350 (2006 - $343,900), which were credited to capital stock.

The following table is a summary of stock options outstanding:

	2007	2006
Outstanding at Jan. 1	282,000	368,000
Exercised	(53,000)	(86,000)
Outstanding at Dec. 31	229,000	282,000
Earned and exercisable at Dec. 31	229,000	268,000

The following stock options remain outstanding at December 31, 2007:

Exercise price	Expiry date	Outstanding, earned and exercisable
Employee stock option plan:		
$ 3.50	July 2, 2008	60,000
3.85	July 2, 2008	51,000
3.95	July 2, 2009	62,000
7.25	July 5, 2010	42,000
Non-executive directors' stock option plan:		
$ 3.75	March 4, 2008	14,000
		229,000
Weighted average exercise price		$ 4.40

The following stock options were outstanding at December 31, 2006:

Exercise price	Expiry date	Outstanding	Earned and exercisable
Employee stock option plan:			
$ 4.75	July 3, 2007	45,000	45,000
3.50	July 2, 2008	60,000	60,000
3.85	July 2, 2008	51,000	51,000
3.95	July 2, 2009	70,000	70,000
7.25	July 5, 2010	42,000	28,000
Non-executive directors' stock option plan:			
$ 3.75	March 4, 2008	14,000	14,000
		282,000	268,000
Weighted average exercise price		$ 4.45	$ 4.30

(f) Share appreciation rights

During 2007, the Company established a SARs plan whereby SARs may be granted to directors and key managerial employees of the Company. The maximum number of SARs which may be issued in any fiscal year under the plan is 2.5% of the total number of issued and outstanding common shares of the Company. The SARs will have a strike price at the time of grant equal to the volume weighted average trading price of the Company's common shares on the TSX for the ten trading days that shares were traded immediately preceding the date of grant. An employee will have the right to sell part or all of their SARs after holding them for a minimum of 24 months. Each employee's SARs not sold to the Company will be automatically sold on the last business day on or preceding the fifth anniversary following such grant. Directors have no minimum holding period and can only exercise their SARs when they cease to be members of the Board of Directors, at which time exercise will be compulsory.

12. Stock-based compensation

The Company accounts for stock-based compensation, including stock option grants and SARs, using fair value based methods. Stock options are granted to employees and non-executive directors at prices not less than the market price of such shares on the grant date. These options vest over a period of three years provided certain earnings criteria are met. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the stock options on the grant date. This fair value is expensed over the award's vesting period. Note 11(f) sets out details of the Company's SARs plan. No SARs have been granted by the Company to date. Changes in the fair value of outstanding SARs will be calculated at the balance sheet date when grants do take place. The change will be recorded in general and administrative expenses, with a corresponding entry to accounts payable and other liabilities.

No stock options were granted by the Company in 2007 and 2006. In 2007 the stock-based compensation expense recorded in general and administrative expenses in respect of stock option grants was $1,406 (2006 - $10,458), with a corresponding increase in contributed surplus. This expense pertains to options granted for which the vesting period of such options includes, in whole or in part, the year ended December 31, 2007.

13. Income taxes

The Company's income tax expense comprises:

	2007	2006
Current income tax expense	$ 2,952,284	$ 1,989,059
Future income tax expense	360,716	1,793,941
Income tax expense	$ 3,313,000	$ 3,783,000

The Company's income tax expense varies from the amount that would be computed using the Canadian statutory income tax rate of 36.1% (2006 - 36.1%) due to the following:

	2007	%
Tax computed at statutory rates	$ 3,465,587	36.1
(Decrease) increase resulting from:		
Lower effective tax rate on income of subsidiaries	(198,089)	(2.1)
Other	45,502	0.5
Income tax expense	$ 3,313,000	34.5

	2006	%
Tax computed at statutory rates	$ 3,934,900	36.1
(Decrease) increase resulting from:		
Lower effective tax rate on income of subsidiaries	(203,660)	(1.9)
Other	51,760	0.5
Income tax expense	$ 3,783,000	34.7

The tax effects that give rise to future income tax assets and liabilities at December 31 are as follows:

	2007	2006
Future income tax assets:		
Allowances for losses	$ 267,837	$ 179,473
Tax loss carryforwards	15,546	380,647
Capital assets	44,000	63,400
Other	15,365	73,187
	342,748	696,707
Future income tax liabilities:		
Basis differential on goodwill	(112,413)	(102,788)
Other	(7,038)	(9,906)
	(119,451)	(112,694)
Future income taxes, net	$ 223,297	$ 584,013

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

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

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

	2007	2006
Basic weighted average number of common shares outstanding	9,463,231	9,802,730
Effect of dilutive stock options	112,156	133,143
Diluted weighted average number of common shares outstanding	9,575,387	9,935,873

No options were excluded from the calculation of diluted shares outstanding in 2007 and 2006 because they were considered to be anti-dilutive for earnings per common share purposes.

15. Contingent liabilities

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

(b) At December 31, 2007, the Company was contingently liable with respect to unaccepted letters of credit issued on behalf of clients in the amount of $1,776,416 (2006 - $1,840,645). In addition, the Company was contingently liable with respect to letters of guarantee issued on behalf of clients in the amount of $469,633 (2006 - $394,483). These amounts have been considered in determining the allowance for losses on factored receivables and loans.

16. Lease commitments

The Company is committed under operating leases, principally office space leases, which expire between 2008 and 2017. The minimum rentals payable under long-term operating leases, exclusive of certain operating costs and property taxes for which the Company is responsible, over the next five years and thereafter are as follows:

2008	$ 314,476
2009	315,203
2010	318,113
2011	320,296
2012	238,613
Thereafter	488,398
	$ 1,995,099

17. Financial instruments

The Company has entered into forward foreign exchange contracts with a financial institution that mature between January 3, 2008 and May 30, 2008 and oblige the Company to sell Canadian dollars and buy US$1,175,000 at an exchange rate of 0.9526. The contracts were entered into by the Company on behalf of one of its clients and similar forward foreign exchange contracts were entered into between the Company and the client whereby the Company will buy Canadian dollars from and sell the US$1,175,000 to the client. The favorable and unfavorable fair values of these contracts have been recorded on the Company's balance sheet in other assets and accounts payable and other liabilities, respectively.

As at December 31, 2006, the Company had entered into a forward foreign exchange contract with a financial institution that matured on June 15, 2007 and obliged the Company to sell Canadian dollars and buy US$3,000,000 at an exchange rate of 1.398. The contract was entered into by the Company for the purpose of managing its foreign exchange exposure on a US$3,000,000 loan. The Company recognized a liability of $643,800 in respect of the contract at December 31, 2006, which represented the fair value of this derivative financial instrument as at that date. This liability was included in the total of accounts payable and other liabilities at December 31, 2006. There was no gain or loss to the Company as a result of entering into this contract.

18. Accumulated other comprehensive loss

Accumulated other comprehensive loss comprises the unrealized foreign exchange loss arising on translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary, which are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. This was formerly the cumulative translation adjustment account. Movements in this balance during 2007 and 2006 were as follows:

	2007	2006
Balance at January 1	$ (4,254,507)	$ (4,368,051)
Unrealized foreign exchange (loss) gain on translation of self-sustaining foreign operation, net of tax	(4,640,380)	113,544
Balance at December 31	$ (8,894,887)	$ (4,254,507)

19. 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.

2007 (in thousands)	Canada	United States	Inter-company	Consolidated
Identifiable assets	$ 73,432	$ 33,701	$ —	$ 107,133
Revenue	$ 22,085	$ 6,796	$ (535)	$ 28,346
Expenses				
Interest	3,295	232	(535)	2,992
General and administrative	10,025	3,118	—	13,143
Provision for credit and loan losses	2,169	233	—	2,402
Depreciation	169	40	—	209
Income tax expense	2,124	1,189	—	3,313
	17,782	4,812	(535)	22,059
Net earnings	$ 4,303	$ 1,984	$ —	$ 6,287

2006 (in thousands)	Canada	United States	Inter-company	Consolidated
Identifiable assets	$ 60,184	$ 33,963	$ (9,468)	$ 84,679
Revenue	$ 21,966	$ 7,622	$ (724)	$ 28,864
Expenses				
Interest	2,895	220	(724)	2,391
General and administrative	10,129	3,161	—	13,290
Provision for credit and loan losses	1,257	704	—	1,961
Depreciation	268	54	—	322
Income tax expense	2,423	1,360	—	3,783
	16,972	5,499	(724)	21,747
Net earnings	$ 4,994	$ 2,123	$ —	$ 7,117

20. Fair values of financial assets and liabilities

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

21. Comparative figures

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2007.

Corporate Information

Board of Directors

Ken Hitzig, Toronto, Ontario

Austin C. Beutel, Toronto, Ontario [1,2]

John D. Lamont, Oakville, Ontario [1,2]

Robert J. Beutel, Toronto, Ontario

H. Thomas Beck, Toronto, Ontario [2]

Ben Evans, Stamford, Connecticut [1]

Frank D. White, Mount Royal, Quebec [1]

Jeremy R. Hitzig, New York, New York

(1) Member of Audit Committee

(2) Member of Compensation Committee

Officers

Ken Hitzig, President

Gerald S. Levinson, Vice-President

Fred Moss, Vice-President

Mark Perna, Vice-President

Jim Bates, Secretary

Robert J. Beutel, Assistant Secretary

Stuart Adair, Chief Financial Officer

Subsidiaries

Accord Business Credit Inc.
Mark Perna, President

Montcap Financial Corp.
Fred Moss, President

Accord Financial, Inc.
Tom Henderson, President

Auditors

KPMG LLP

Legal Counsel

Stikeman Elliott

Bankers

Bank of America

The Bank of Nova Scotia

The Toronto-Dominion Bank

Canadian Imperial Bank of Commerce

Stock Exchange Listing

Toronto Stock Exchange
Symbol: ACD

Registrar & Transfer Agent

Computershare Trust Company of Canada

Keeping Business Liquid

77 Bloor Street West,

Toronto, Ontario,

Canada M5S 1M2

Tel (800) 961-0015

Fax (416) 961-9443

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Annual Meeting

The Annual Meeting

of Shareholders will be held

Wednesday, May 7th, 2008

at 4:15 pm

at The Toronto Board of Trade,

First Canadian Place,

Toronto, Ontario

Design by DesignKinetics

Keeping Business Liquid

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