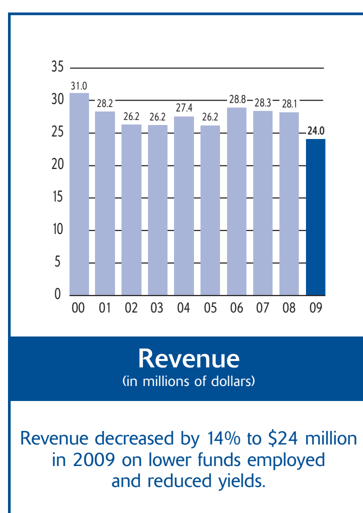
Annual Report 2009

Keeping Business Liquid

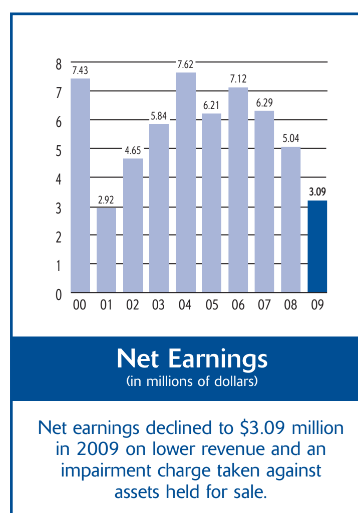
Financial Highlights

	2009	2008	2007
Operating Data Years ended December 31 (in thousands of dollars except where indicated)			
Factoring volume (in millions)	$ 1,748	$ 1,596	$ 1,497
Revenue	24,045	28,060	28,346
Net earnings	3,089	5,041	6,287
Return on average shareholders' equity	6.7%	11.7%	16.0%
Balance Sheet Data At December 31 (in thousands of dollars)			
Total assets	$ 97,937	$103,498	$107,133
Shareholders' equity	43,356	48,179	39,197
Common Share Data (per common share)			
Earnings - basic	$ 0.33	$ 0.53	$ 0.66
- diluted	0.33	0.53	0.66
Dividends paid	0.26	0.24	0.22
Share price - high	6.70	8.39	9.45
- low	5.25	4.75	7.72
- close at December 31	5.25	5.81	8.00
Book value at December 31	4.61	5.10	4.15



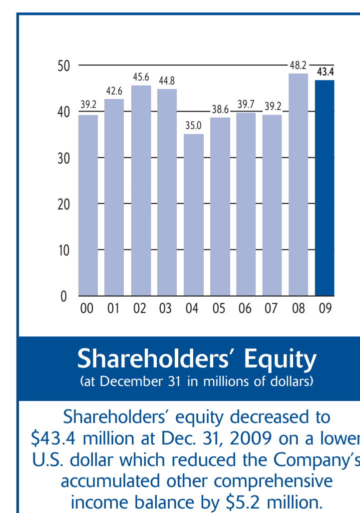
Revenue
(in millions of dollars)

Revenue decreased by 14% to $24 million in 2009 on lower funds employed and reduced yields.



Net Earnings
(in millions of dollars)

Net earnings declined to $3.09 million in 2009 on lower revenue and an impairment charge taken against assets held for sale.



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

Shareholders' equity decreased to $43.4 million at Dec. 31, 2009 on a lower U.S. dollar which reduced the Company's accumulated other comprehensive income balance by $5.2 million.

Table of Contents

Inside front cover / Financial Highlights
1 Chairman's Letter to the Shareholders
2 Message from the President and CEO
3 Accord's Financial Services
4 Management's Roundtable
6 Management's Discussion and Analysis
21 Five Key Benchmarks
22 Ten Year Financial Summary 2000-2009
23 Corporate Governance
26 Management's Report to the Shareholders
26 Auditors' Report to the Shareholders
27 Consolidated Balance Sheets
28 Consolidated Statements of Earnings
28 Consolidated Statements of Comprehensive Income
28 Consolidated Statements of Retained Earnings
29 Consolidated Statements of Cash Flows
30 Notes to Consolidated Financial Statements
Inside back cover / Corporate Information

Ken Hitzig
Chairman of the Board

Chairman's Letter to the Shareholders

As a financial company operating in North America we felt the impact of the deteriorating economy in both Canada and the United States. 2009 was one of the worst years in memory with unemployment rising, the housing and automotive sectors severely contracting, retail sales steadily declining, and most business indicators pointing down throughout the year. The central banks of Canada and the U.S.A. did the best they could, but they could only slow, not stem, the tide. The financial sector, especially in the U.S., was hit hard. Some famous names in banking have now disappeared, unthinkable only a few short years ago. The commercial finance field in which we operate has shrunk as some big players have run into trouble and are fighting for survival. While there were no bank failures in Canada, the economy slowed, consumer spending declined, unemployment rose, and deal flow for commercial finance and factoring companies fell precipitously.

Accord had its share of challenges in 2009, but we did record a profit for the year; in fact, Accord was profitable in each quarter in 2009. Net earnings for the year were $3,089,000, or 33 cents per share. Thanks to our strong balance sheet, we managed to avoid liquidity issues. Accord's over-riding challenges in 2009 were (1) new business which was reduced to a trickle in the first two or three quarters of the year, and (2) charge-offs. As the U.S. economy was harder hit than in Canada, most of our charge-offs were taken there.

In order to present an easily recognizable and well-established brand to our constituent referral sources and clients we changed the names of our two Canadian operating subsidiaries. They now share the name "Accord Financial" with the parent company and our U.S. subsidiary, Accord Financial, Inc. Our receivable protection business changed its name from Accord Business Credit Inc. to Accord Financial Ltd. and our Canadian working capital financing business changed its name from Montcap Financial Corp. to Accord Financial Inc. A common web-site has now replaced the four prior sites and provides inquirers with all the information they may need across our entire business spectrum. See www.accordfinancial.com.

The Year Ahead

We live in very uncertain times. The economy in Canada and the U.S. has shown some signs of life in the last few months. Despite this, it's unlikely we will see a full-blown recovery in 2010. Accord has two things going for it right now. Firstly, our deal flow is very strong in both the U.S. and Canada. Secondly, we have a healthy balance sheet with an abundance of unused bank facilities. This gives us an important edge on our competitors, many of whom are struggling with inadequate funding and weak balance sheets.

Three of our long serving and valued board members have announced they will not stand for reelection at our forthcoming annual meeting. They are Austin Beutel who has been a member since 1978 and has served as Chairman of the Audit Committee, Tom Beck who has also been a board member since 1978 and has served as Chairman of the Compensation Committee and Jack Lamont who has been a board member since 1989 and has served on the Audit Committee and the Compensation Committee. All three of these gentlemen have made significant contributions to the development and growth of your company and will be sorely missed.

My sincere thanks to our employees who persevered in a difficult economic environment, and to our directors and shareholders for their patience and support. I look forward to seeing you at our Annual Meeting on May 5, 2010.

Ken Hitzig
Chairman of the Board

Toronto, Ontario
March 1, 2010

Tom Henderson
President &
Chief Executive Officer

Message from the President and CEO

We have just finished the second year in a row of mixed operating results as our business units continued to adjust to the realities of "the great recession". Our non-recourse business enjoyed a very good year. Both of our working capital financing units had a hard slog faced with declining funds usage from existing clients, loan losses experienced when certain clients were forced to discontinue their business, and a dearth of qualified new prospects that might have taken up the slack from existing client activity. Although both our Canadian and U.S. units managed to report profits for the year, these fell short of our expectations, but have served to strengthen our resolve as we embark upon what we hope will be a brighter future.

The volume of receivables processed in 2009 rose to a record high of $1.75 billion. Our non-recourse business grew nicely as vendors tried to protect themselves from the credit risk of weakened customers. However, our recourse business on both sides of the border found new business scarce as the economy slowed to its lowest level in years. There were hopeful signs in the fourth quarter as deal flow improved significantly. Our gross revenue fell 14% to $24 million. Interest cost dropped by more than half to $1.2 million so that our "spread" was down only 9% to $22.9 million. General and administrative expenses, including depreciation, fell to $13.5 million from $13.7 million in 2008. The provision for credit and loan losses ($3.6 million) and impairment of assets held for sale ($1.3 million) were higher than the previous year's $3.8 million.

Net earnings for 2009 were $3,089,000 or 33 cents per diluted share. This compares with $5,041,000 or 53 cents per diluted share the previous year. Return on average equity fell from 12% in 2008 to 7% in 2009.

Revenue from operations in Canada decreased to $17 million in 2009 compared with $20.3 million in 2008. All expenses declined in the latest year. Net earnings from Canadian operations in 2009 rose to $2,752,000 compared with $2,372,000 in 2008.

Our U.S. operations had a hard time last year. Revenue fell to $7.1 million, down about 10% from the previous year. Loan losses and an impairment charge for assets held for sale amounted to $3 million. This pushed our net earnings down from $2,669,000 in 2008 to $337,000 in 2009.

The Company continued and renewed its normal course issuer bid and we repurchased 78,200 shares for cancellation in 2009 at a cost of $455,021, or an average of $5.82 per share. Options on 49,000 shares were exercised in 2009 for proceeds of $193,550. The number of common shares outstanding at year-end was 9,408,971, down from 9,438,171 a year earlier. Total dividends paid amounted to 26 cents per share in 2009 compared with 24 cents in 2008. The Company has paid continuous dividends since 1987.

It doesn't take a genius to recognize the global economy has wiped out a lot of value from the financial services industry in the last two years. We've never seen anything like it and we hope the worst is over. As we write this most major economies are showing signs of recovery. We expect this recovery to be gradual, most probably in the pattern of two steps forward, one step back. This means we have to stay on our toes, which is why everyone at Accord in Canada looks like they have grown five centimetres in height recently; our U.S. employees grew by two inches.

Many of our competitors have closed their doors or reduced their market presence. While we are happy to say we have survived the carnage we are even more pleased to report that we have used this year to ensure that we are well positioned to capitalize on the growth opportunities that lie ahead for your company. A number of initiatives have been completed or are well underway in both of our major markets, Canada and the U.S.

All operating units are now called Accord Financial, which will increase the awareness of the Accord brand. To add more recognition to the brand we have adopted a tag line "Keeping Business Liquid" and have updated our corporate logo. Also, with the help of a talented Toronto consultant, we are in the process of crafting a unified message and communication style to be used across all our businesses in their advertising and general marketing campaigns. The anticipated result of all this will be a much improved recognition of the Accord brand across all our constituencies in

Canada and the U.S. There have been substantial operating improvements including strengthening the credit underwriting and backroom functions of our working capital financing business.

Our U.S. business made progress towards positioning itself for excellent growth in the years ahead. With the help of first class industry consultant Michael Litwin, we established a comprehensive risk rating system and introduced asset-based lending products among other operating improvements. Later we revamped and strengthened procedural controls and rechanneled marketing initiatives to bring our quality and service message more effectively to all referral sources. We also made the difficult decision to leave our bank relationship of 32 years for a new bank lender. That move, finalized in the fourth quarter, made possible the potential to achieve greater financial leverage at a projected reduced cost and offers the promise of additional new business referrals.

As the new year starts we are optimistic that all three of our business units are well positioned to take full advantage of the many opportunities that a reviving world economy will offer.

The year just ended saw our founder and former President – CEO Ken Hitzig decide to hand over the reins to me and move up to the position of Chairman of the Board of Directors. After Ken's 31 years of inspiring leadership the time-honored phrase "having to fill big shoes" strikes me as being totally appropriate. I take great comfort in seeing Ken remain as committed to our company and as forward-looking as ever. His guidance and counsel to me are invaluable and comforting as, with all my colleagues, we seek to build on his many accomplishments and keep his proud legacy forever fresh.

I hope you will consider attending our Annual Meeting of shareholders. If you have never attended one I ask that you please consider doing so and allow Ken and me the pleasure of being able to personally thank you for your confidence in Accord. I look forward to seeing you on May 5.

Sincerely,

Tom Henderson
President & Chief Executive Officer

Toronto, Ontario
March 1, 2010

Accord's Financial Services

1 Non-recourse factoring

In over 30 years of operations, 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

Combined with its factoring services, Accord provides financing against assets such as accounts receivable, inventory and equipment. Accord also provides purchase order financing.

Ken Hitzig
Chairman of the Board

Management's Roundtable

Keeping Business Liquid Since the 1970s

Excerpts from a recent management meeting in preparation for the Annual Report. Present were: ***Ken Hitzig****, Chairman of the Board of Directors;* ***Tom Henderson****, President and Chief Executive Officer of Accord Financial Corp. and Accord Financial, Inc.;* ***Mark Perna****, President of Accord Financial Ltd.; and* ***Fred Moss****, President of Accord Financial Inc.*

Ken: *Let's take a look at the 2009 operating results and the outlook for 2010. The results fell below everyone's expectations. Our bottom line was less than half of what we recorded in our best year, which was in 2004, and yet we have reason to believe that 2010 will be better, and perhaps much better. What were the key issues that drove our earnings down? We'll start with Tom.*

Tom: We had two issues to contend with in 2009. I became President of the parent company mid-way through the year and at the same time continued in my role as head of our American operation, Accord Financial, Inc. As we all know, the U.S. economy went into a real slump, clearly the most severe since the Great Depression of the 1930s. Attracting quality new clients was a major challenge. On top of that, our existing clients used less of our money than they would in a half decent economy. Like most financial companies we were swimming against the tide for most of the year. Our top line dwindled.

Ken: *What was the second issue?*

Tom: The second issue was more serious. All but two of our clients remained in good shape and caused us no problems. However, the two that did caused us considerable damage. The first was a company supplying the automotive industry and they were unable to survive protracted disputes and ultimate failure of their largest customers, General Motors and Chrysler. Our client defaulted, and our collateral was insufficient to cover our exposure. We took a substantial write-off there. Our second client presented us with an even more serious problem. We had granted this client a regular accounts receivable facility in 2007, but his business went downhill and we liquidated our collateral with no loss. Unfortunately, we also granted the client a real estate bridge loan at the same time as the accounts receivable facility, but we strayed from our usual business practice by lending over $6 million on a large parcel of property in Dallas. The appraisal on this property was more than double the amount of our loan, and the property was scheduled to be re-financed within six months of our deal. We thought we had a big cushion. But the financing fell through as property values dropped precipitously. We foreclosed in mid-year and took a write-off of US$1,000,000 at the time. We put the property up for sale but at year-end no sale had been consummated, and we had to take a further write-down of US$1,200,000.

Ken: *Are there no takers for the property?*

Tom: There are. In light of the offers we have received, we analyzed the current valuations and arrived at an estimated realizable value for the property, which is how we calculated the write-down at year-end.

Ken: *I guess we learned something from all of this.*

Tom: I doubt if we'll ever do a real estate deal again.

Ken: *It's small consolation, but our U.S. operation still managed to be in the black for the year. Let's turn our attention to results in Canada. Fred, as head of Accord's Canadian recourse factoring and finance operation, tell us how you did in 2009.*

Mark Perna
President
Accord Financial Ltd.

Tom Henderson
President & Chief Executive Officer
Accord Financial Corp.
Accord Financial, Inc.

Fred Moss
President
Accord Financial Inc.

Fred: The economy in Canada was weak for most of the year and we had the same experience as Tom in that quality new clients were hard to come by. The situation changed in the fourth quarter and we began putting on new business at a very satisfactory rate. But the "drought" took its toll on our top line and we couldn't match the revenue of the previous year. We had net write-offs of $729,000, but thankfully this was way down from 2008. The quality of our portfolio is much better now than it's been in a long time.

Ken: Tom, I believe you had a strong uptick in new business in the fourth quarter as well.

Tom: We did. We started the year with US$37.7 million in funds employed, but by Sept. 30 it was down to US$23.8 million. Deal flow really accelerated in the fourth quarter and we ended the year with funds employed of US$39.2 million. The full benefit in earnings will turn up in 2010.

Ken: Mark, you manage Accord's non-recourse factoring business. You had a totally different experience in 2009. Tell us about that.

Mark: We had a very good year. Our strategy going into 2009 was to capitalize on our strengths in credit granting and keep credit losses to a minimum. By using innovative techniques we were able to grant credit where our major competitors, the credit insurers, were having to cope with "line full" issues. As a result, our top line grew by 12% in 2009. Our overhead was well controlled. Our net credit losses were under $700,000, which was a bit more than we would have liked, but in a tough economy, we thought we did okay.

Ken: What was the bottom line?

Mark: We were up about 29% over 2008.

Ken: Sounds like your unit was the shining star in an otherwise cloudy sky.

Mark: Thank you. It helped that we have a superb credit department.

Ken: What's the outlook for 2010? We'll start with Tom.

Tom: I hate to use this cliché, but we are cautiously optimistic. Deal flow is continuing strong, and if it continues, we will have a fine year. However, I must add a cautionary note. The U.S. has serious financial issues and it's too early to know what Washington will do and what effect it will have on business. While things are somewhat encouraging at this moment, the economy in 2010 could be a roller coaster.

Ken: Fred, your thoughts?

Fred: Right now we have strong upward momentum, very different from one year ago. Canada has fiscal issues to contend with, although not as severe as the U.S. Nevertheless, there is uncertainty in looking too far down the road. We may experience a moderate roller coaster which may cause deal flow to rise and fall as the year unfolds. Our biggest priorities are putting on new business and controlling risk.

Ken: Mark, do you think you can improve on your performance in 2009? That may pose a big challenge.

Mark: It's very early in the going, as they say, but so far all indications are pointing upward. We're going to keep disciplined in credit granting and, of course, we'll be plugging away at new business. We're certainly aiming at beating last year's results.

Ken: Thank you all for your participation.

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

Stuart Adair
Vice President,
Chief Financial Officer

Overview and Non-GAAP Financial Measures

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the year ended December 31, 2009 compared with the years ended December 31, 2008 and, where presented, December 31, 2007. 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 2009 audited consolidated financial statements (the "Statements") and notes thereto, the ten year financial summary (see page 22), and the Chairman's letter and President's message to the Shareholders, all of which form part of this 2009 Annual Report. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

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

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

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

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

iii) Profitability ratios - Table 1 presents certain profitability measures. In addition to ROE, the return on average assets is also presented. This is the Company's net earnings expressed as a percentage of average assets. Also presented is net revenue (revenue minus interest expense) expressed as a percentage of average assets, and general and administrative expenses ("G&A") expressed as a percentage of average assets. These ratios are presented over a three year period which enables readers to see at a glance trends in the Company's profitability, yield and operating efficiencies.

iv) Balance sheet composition - Table 2 contains the following percentages: (i) tangible equity (shareholders' equity less goodwill and future income tax assets) expressed as a percentage of total assets; (ii) shareholders' equity as a

percentage of total assets; (iii) debt (bank indebtedness and notes payable) as a percentage of shareholders' equity. These percentages provide information on trends in the Company's financial condition and leverage over the past three years.

v) Credit quality - Table 3 presents information on the quality of the Company's total portfolio, namely, its factored receivables and loans (collectively "Loans" or "funds employed") and managed receivables. It presents the Company's year-end allowances for losses as a percentage of its total portfolio and its annual net charge-offs. It also presents the net charge-offs expense as a percentage of total factoring volume. The percentage of managed receivables past due is also presented in table 3.

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.

Selected Annual Information

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

	2009	2008	2007
Revenue	$ 24,045	$ 28,060	$ 28,346
Net earnings	3,089	5,041	6,287
Earnings per share			
Basic	$ 0.33	$ 0.53	$ 0.66
Diluted	0.33	0.53	0.66
Dividends per share	0.26	0.24	0.22
Total assets	$ 97,937	$ 103,498	$ 107,133

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 earlier in this Annual Report. Its clients operate in a wide variety of industries, examples of which are set out in note 19(a) to the Statements.

The Company, founded in 1978, operates three factoring companies in North America, namely, Accord Financial Ltd. ("AFL") and Accord Financial

Results of Operations

Years ended December 31 (in thousands unless otherwise stated)	2009 Actual	2009 % of Revenue	2008 Actual	2008 % of Revenue	% change from 2008 to 2009
Factoring volume (millions)	$ 1,748		$ 1,596		10.0%
Revenue					
Factoring commissions, discounts, interest and other income	$ 24,045	100.0%	$ 28,060	100.0%	-14.3%
Expenses					
Interest	1,180	4.9%	2,871	10.2%	-58.9%
General and administrative	13,290	55.3%	13,491	48.1%	-1.5%
Provision for credit and loan losses	3,648	15.2%	3,849	13.7%	-5.2%
Impairment of assets held for sale	1,265	5.3%	—	0.0%	n/m
Depreciation	181	0.7%	195	0.7%	-7.2%
	19,564	81.4%	20,406	72.7%	-4.1%
Earnings before income tax expense	4,481	18.6%	7,654	27.3%	-41.5%
Income tax expense	1,392	5.8%	2,613	9.3%	-46.7%
Net earnings	$ 3,089	12.8%	$ 5,041	18.0%	-38.7%
Earnings per common share					
Basic	$ 0.33		$ 0.53		-38.1%
Diluted	0.33		0.53		-38.2%

n/m - not meaningful

Inc. (“AFIC”) in Canada and Accord Financial, Inc. (“AFIU”) in the United States. AFL and AFIC were formerly known as Accord Business Credit Inc. and Montcap Financial Corp., respectively, and changed their names to their present ones in July 2009.

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

Results of Operations

Fiscal 2009: *Year ended December 31, 2009 compared with year ended December 31, 2008*

The Company’s net earnings totalled $3,089,000 in 2009, 39% below 2008’s net earnings of $5,041,000 and 51% below 2007’s net earnings of $6,287,000. Net earnings declined compared to 2008 principally as a result of lower revenue and an impairment charge related to assets held for sale. Net earnings declined compared to 2007 as a result of lower revenue, a higher provision for credit and loan losses and the above noted impairment charge. These items are discussed below. Diluted earnings per common share for 2009 decreased to 33 cents, 38% below the 53 cents earned last year and 50% below the 66 cents earned in 2007. The Company’s ROE declined to 6.7% in 2009 compared to 11.7% last year and 16.0% in 2007.

The volume of receivables factored by the Company in 2009 rose by 10% to a record $1.748 billion compared with $1.596 billion last year. Non-recourse factoring volume rose by 19%, while there was a small increase in recourse factoring volume. Non-recourse volume was higher as the demand for its credit guarantee services rose and international business increased. International volume rose by 20% to $447 million compared to $374 million in 2008. The increase was largely low rate, and low-risk, business. International volume comprised 26% of the Company’s total volume in 2009, up from 23% in 2008.

Revenue declined by $4,015,000 or 14% to $24,045,000 in 2009 compared to $28,060,000 last year, while it declined by 15% compared to $28,346,000 in 2007. Revenue declined compared to 2008 and 2007 as a result of a combination of lower funds employed and reduced factoring and loan yields. Yields declined in 2009 largely as a result of lower interest rates and an increase in non-performing loans against which charge-offs were recorded in the year.

Interest expense declined by $1,691,000 or 59% to $1,180,000 in 2009 compared to $2,871,000 last year. The decrease resulted from lower interest rates and a 34% decrease in average borrowings (bank indebtedness and notes payable). The Company’s borrowing rates were lower in 2009, as the average Canadian prime rate of interest declined to 2.4% per annum from 4.8% in 2008, while the average U.S. prime rate of interest declined to 3.3% from 5.1% in 2008.

G&A comprise personnel costs, representing the majority of the Company’s G&A, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. G&A declined by $201,000 or 2% to $13,290,000 in 2009 from $13,491,000 last year as lower personnel costs offset the impact of severance costs of $339,000 and a 7% rise in the average value of the U.S. dollar in 2009. The Company continues to manage its controllable expenses closely. G&A totalled 55% of revenue in 2009, up from 48% in 2008 on a 14% decline in revenue.

The provision for credit and loan losses declined by $200,000 or 5% to $3,648,000 in 2009 compared to $3,848,000 last year. The provision is a combination of net charge-offs and a charge or recovery related to an increase or decrease in the Company’s total allowances for losses. The provision for credit and loan losses in 2009 and 2008 comprised:

Year ended Dec. 31 (in thousands)	2009	2008
Net charge-offs	$ 4,633	$ 2,950
(Recovery) charge related to (decrease) increase in total allowances for losses	(985)	898
	$ 3,648	$ 3,848

The provision for credit and loan losses, as a percentage of revenue, increased to 15% in 2009 compared to 14% in 2008 on lower revenue. The current year's net charge-offs included $1,452,000 taken against non-performing Loans upon which specific allowances were established in 2008. Excluding these previously expensed allowances, net charge-offs would have totalled $3,181,000 in 2009, 8% higher than the $2,950,000 in 2008. The rise in net charge-offs in 2009 occurred in our U.S. operation, which suffered two significant charge-offs during the year. The Company's allowances for losses are discussed in detail below. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies. The Company employs a conservative approach to determining its allowances for losses and providing for charge-offs.

During 2009, the Company obtained title to certain foreclosed assets securing a defaulted loan and is currently actively marketing the assets for sale. An impairment charge of $1,265,000 was taken against the assets held for sale in the year as the Company determined that the net realizable value of the assets had declined since it took title to same (see note 5 to the Statements and discussion below).

Income tax expense declined by 47% to $1,392,000 in 2009 compared to $2,613,000 last year largely as a result of a 42% decline in pre-tax earnings. The Company's effective corporate income tax rate for 2009 was 31.1% compared to 34.1% in 2008. The decrease in effective tax rate in 2009 principally resulted from: (i) our U.S. operation releasing a tax provision of $69,000 in the year that was no longer required; and (ii) our U.S. operations earnings, which are subject to a higher tax rate than our Canadian earnings, forming a much lower percentage of the Company's consolidated earnings in 2009 resulting in a decrease in the Company's overall weighted average effective tax rate.

Table 1—Profitability Ratios

(as a percentage)	2009	2008	2007
Return on Average Assets	3.1	4.8	6.6
Return on Average Equity	6.7	11.7	16.0
Net Revenue / Average Assets	22.7	23.9	26.4
Operating Expenses / Average Assets	13.4	13.0	13.9

Table 1 highlights the Company's profitability in terms of returns on its average assets and shareholders' equity. In 2009, on lower net earnings, these percentages declined to 3.1% and 6.7%, respectively, the lowest in the last three years. Net revenue as a percentage of average assets declined to 22.7% in 2009 compared to 23.9% last year. The ratio of G&A to average assets rose to 13.4% in 2009 compared with 13.0% in 2008 as average assets declined at a faster pace than G&A.

Canadian operations

Net earnings from Canadian operations increased by $380,000 or 16% to $2,752,000 in 2009 compared to $2,372,000 last year principally as a result of lower expenses, which offset the impact of a 16% decline in Canadian revenue (see note 21 to the Statements).

Revenue decreased 16% to $16,985,000 in 2009 compared to $20,264,000 last year as funds employed and yields declined in our Canadian recourse factoring operation offsetting the impact of an increase in non-recourse factoring volume and revenue. Expenses declined by $3,830,000 or 23% to $12,925,000 compared to $16,755,000 last year. The provision for credit and loan losses decreased by $1,950,000 or 50% to $1,928,000, while interest expense fell by $1,518,000 or 57% to $1,148,000 on lower borrowings and interest rates. G&A was $346,000 or 4% lower at $9,695,000 despite incurring the above noted severance costs this year. Income tax expense rose by 15% to $1,309,000 in 2009 on a similar increase in pre-tax earnings.

U.S. operations

Net earnings from U.S. operations declined by 87% to $337,000 in 2009 compared to $2,669,000 in 2008. In U.S. dollars, net income decreased by 95%. Revenue was $734,000 or 9% lower at $7,102,000 principally as a result of two significant loans

Summary of Quarterly Financial Results*

Quarters ended (in thousands unless otherwise stated)	2009 Dec. 31	2009 Sept. 30	2009 June 30	2009 Mar. 31	2008 Dec. 31	2008 Sept. 30	2008 June 30	2008 Mar. 31
Factoring volume (millions)	$ 516	$ 449	$ 380	$ 402	$ 429	$ 419	$ 365	$ 383
Revenue								
Factoring commissions, discounts, interest and other income	$ 6,633	$ 5,664	$ 5,677	$ 6,071	$ 6,753	$ 6,785	$ 7,094	$ 7,427
Expenses								
Interest	364	271	245	301	574	628	789	880
General and administrative	3,198	3,073	3,544	3,475	3,388	3,342	3,340	3,421
Provision for credit and loan losses	1,059	1,176	1,083	331	2,005	760	248	835
Impairment of assets held for sale	1,265	—	—	—	—	—	—	—
Depreciation	34	45	50	51	51	47	50	47
	5,920	4,565	4,922	4,158	6,018	4,777	4,427	5,183
Earnings before income taxes	713	1,099	755	1,913	735	2,008	2,667	2,244
Income tax expense	108	390	261	633	273	676	908	756
Net earnings	$ 605	$ 709	$ 494	$ 1,280	$ 462	$ 1,332	$ 1,759	$ 1,488
Earnings per common share								
Basic	$ 0.06	$ 0.08	$ 0.05	$ 0.14	$ 0.05	$ 0.14	$ 0.19	$ 0.16
Diluted	0.06	0.08	0.05	0.14	0.05	0.14	0.18	0.16

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

becoming non-performing in the latter half of 2008. Expenses rose to $6,682,000 in 2009 compared to $3,691,000 in 2008. The provision for credit and loan losses increased to $1,720,000 in 2009 compared to a recovery of $29,000 last year as charge-offs were taken against the two non-performing loans in 2009. U.S. operations also incurred an impairment charge of $1,265,000 related to the assets held for sale. This is discussed above. G&A rose by $146,000 or 4% to $3,595,000 as a result of a 7% rise in the average value of the U.S. dollar in 2009. Interest expense declined to $74,000 compared with $245,000 last year on lower interest rates and borrowings. Our U.S. operations income tax expense declined by 94% to $83,000 in 2009 on a 90% decrease in pre-tax earnings and the above noted release of an income tax provision no longer required.

***Fourth quarter 2009:** Quarter ended December 31, 2009 compared with quarter ended December 31, 2008*

Net earnings for the quarter ended December 31, 2009 rose by $143,000 or 31% to $605,000 compared to $462,000 in the fourth quarter of 2008. Net earnings principally increased due to lower provision for credit and loan losses, interest expense, G&A and income tax expense. These reductions were offset to a large degree by the above noted impairment charge of $1,265,000 and somewhat lower revenue. Diluted earnings per common share increased to 6 cents in the quarter compared to 5 cents last year.

Factoring volume rose by 20% to a fourth quarter record $516 million compared to $429 million in last year's fourth quarter. Volume in the Company's non-recourse business increased by 29%, while volume in its recourse business rose by 13%.

Revenue declined by $120,000 or 2% to $6,633,000 in the fourth quarter of 2009 compared to $6,753,000 last year largely as a result of a decrease in interest earned on asset-based loans to clients and lower deferred and other revenue. On a positive note, factoring commissions rose by $330,000 in the fourth quarter on stronger volume.

Interest expense declined by 37% to $364,000 in the fourth quarter compared to $574,000 last year on a 31% decrease in average borrowings and lower interest rates.

G&A for the quarter declined by $190,000 or 6% to $3,198,000 compared to $3,388,000 last year in large part due to the weaker U.S. dollar in the current quarter compared to the fourth quarter of 2008 and lower personnel costs.

The provision for credit and loan losses decreased by 47% to $1,059,000 in the fourth quarter of 2009 compared to $2,005,000 last year. The provision for credit and loan losses for the fourth quarter of 2009 and 2008 comprised:

Quarter ended Dec. 31 (in thousands)	2009	2008
Net charge-offs	$ 887	$ 1,224
Charge related to increase in total allowances for losses	172	781
	$ 1,059	$ 2,005

The impairment charge of $1,265,000 relating to assets held for sale was incurred in the fourth quarter of 2009.

Income tax expense decreased to $108,000 compared to $273,000 in the fourth quarter of 2008 on lower pre-tax earnings and the release of a $69,000 tax provision no longer required in our U.S. operation.

Review of Balance Sheet

Shareholders' equity at December 31, 2009 totalled $43,356,000, a decrease of $4,823,000 from $48,179,000 last year-end. Book value per share declined to $4.61 at December 31, 2009 compared to $5.10 a year earlier. The decrease in shareholders' equity in 2009 principally resulted from a $5,201,000 decline in the accumulated other comprehensive loss balance. This is discussed below.

Total assets declined to $97,937,000 at December 31, 2009 compared to $103,498,000 last year-end. Total assets largely comprised Loans.

Table 2—Balance Sheet Composition

(as a percentage)	2009	2008	2007
Tangible Equity / Assets	43	45	35
Equity / Assets	44	47	37
Debt (bank indebtedness & notes payable) / Equity	106	97	147
Loans and Receivables ($000)			
Loans	91,435	102,977	105,882
Managed Receivables	155,360	133,754	100,189
Total	246,795	236,731	206,071

Table 2 highlights the composition of the Company's balance sheet. The first two ratios in the table for 2009 (43% and 44%), detailing equity as a percentage of assets, were lower this year as shareholders' equity decreased at a greater rate than assets. These ratios indicate the Company's continued financial strength and overall low degree of leverage.

Excluding inter-company liabilities, 56% of identifiable assets were located in Canada and 44% in the United States at December 31, 2009 compared to 54% and 46%, respectively, at December 31, 2008 (see note 21 to the Statements).

Gross Loans (funds employed) before the allowance for losses thereon, declined by $11,542,000 or 11% to $91,435,000 at December 31, 2009 compared with $102,977,000 a year earlier (see note 4 to the Statements). The decrease in funds employed had an adverse impact on revenue in 2009 and largely resulted from lower asset-based loans and a number of client liquidations, among other things. As part of the client liquidations, the Company obtained title to certain assets securing a defaulted loan in May 2009 (see details on assets held for sale below). Net of the allowance for losses thereon, Loans declined by $10,083,000 to $89,907,000 at December 31, 2009 compared with $99,990,000 last year-end. Loans principally represent advances made by our recourse factoring and asset-based lending subsidiaries, AFIC and AFIU, to clients in a wide variety of industries. These businesses had approximately 150 clients at December 31, 2009. Four clients each comprised over 5% of gross Loans at December 31, 2009, of which the largest client comprised 8%.

In its non-recourse factoring business, the Company contracts with clients to assume the credit risk associated with respect to their receivables, usually without financing them. Since the Company does not take title to these receivables, they do not appear on its balance sheet. These non-recourse or managed receivables totalled $155 million at December 31, 2009 compared to $134 million last year-end. Managed receivables comprise the receivables of approximately 180 clients. The 25 largest clients comprised approximately 58% of non-recourse volume in 2009 compared to 59% in 2008. Most of the clients' customers are large "big box" and apparel, home furnishings and footwear retailers in Canada and the United States. At December 31, 2009, the

25 largest customers accounted for 66% of the total managed receivables, of which the largest two customers comprised 33%. Although the retail environment is suffering as a result of the current economic downturn, the Company's credit risk related thereto is closely monitored and its managed receivables continue to be well rated. The current adverse economic and retail environment was instrumental in the Company signing a number of significant new clients in the second half of 2009 as clients sought out its credit guarantee services to cover the credit risk relating to their receivables. This lead to a healthy increase in the Company's non-recourse volume in 2009, particularly in the second half of the year.

The Company's total portfolio, which comprises both gross Loans and managed receivables, rose by 4% to $247 million at December 31, 2009 compared to $237 million last year-end as a result of the rise in managed receivables (see Table 2 for a three year history).

As described in note 19(a) to the Statements, the Company's business involves funding or assuming credit risk on the receivables offered to it by its clients, as well as funding other assets such as inventory and equipment. 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 President and the Chairman of its Board. Credit in excess of $2,500,000 is approved by the Company's Credit Committee, which comprises three members of the Company's Board. The Company monitors and controls its risks and exposures through financial, credit and legal controls and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject.

Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. The Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. Monitoring and communicating with its clients' customers is measured by, amongst other things, an analysis which indicates the amount of receivables current and past due. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. Of the total managed receivables for which the Company guarantees payment, 8.2% were past due more than 60 days at December 31, 2009 compared to 9.3% last year-end. In the Company's recourse factoring business, receivables become "ineligible" when they reach a certain pre-determined age, usually 75 to 90 days from invoice date, and are usually charged back to clients thereby limiting the Company's credit risk on such receivables.

The Company employs a client rating system to assess credit risk in its recourse factoring business, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, principally its clients' receivables, while in its non-recourse factoring business it employs a customer credit scoring system to assess the credit risk associated with those client receivables that it guarantees (managed receivables). Credit risk is primarily managed by ensuring that, as far as possible, the receivables factored are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. The Company assesses the financial strength of its clients' customers and the industries in which they operate, which, for a factoring company, is often more important than the financial strength of the clients themselves. The Company minimizes credit risk by limiting to $10 million the maximum amount it will lend, as well as enforcing strict margins, and disallowing certain types of receivables. The Company also charges back receivables as they become older and confirms the validity of the receivables that it purchases. In its non-recourse business exposure to certain customers upon which credit guarantees have been granted may exceed $10 million. All customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case by case basis. At December 31, 2009, the Company has guaranteed accounts receivable in excess of $10 million in respect of two customers. As a factoring company, which administers and collects the majority of its clients' receivables, the Company is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. This is particularly

important in today's adverse economic and credit environment. Note 19(a) provides details of the Company's credit exposure by industrial segment.

Table 3—Credit Quality

(as a percentage)	2009	2008	2007
Portfolio Turnover (days)	49	50	49
Managed Receivables past due more than 60 days	8.2	9.3	9.5
Reserves* / Portfolio	1.0	1.6	1.3
Reserves* / Net Charge-offs	56	125	147
Net Charge-Offs / Volume	0.27	0.18	0.12

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

Table 3 highlights the credit quality of the Company's portfolio, both Loans and managed receivables. The Company's allowance for losses on its Loans declined significantly in 2009 as the specific allowances established in 2008 were charged off against the underlying non-performing accounts this year. Net charge-offs of our managed receivables declined slightly to $680,000 in 2009 compared to $716,000 in 2008. Net charge-offs on managed receivables were 7 basis points of volume in 2009, compared to 9 basis points in 2008. Net charge-offs in the Company's recourse factoring business were $3,953,000 in 2009 compared to $2,235,000 last year. Net charge-offs in our recourse business in 2009 included $1,452,000 relating to non-performing Loans upon which specific allowance for losses were established in 2008. Overall, the Company's total net charge-offs in 2009, as detailed in the Results of Operations section above, rose by 57% to $4,633,000 compared with $2,950,000 last year. Net charge-offs, the highest in the last three years, were 27 basis points of volume in 2009 compared to 18 basis points last year. Excluding the $1,452,000 of net charge-offs upon which specific allowances were established and expensed in 2008, net charge-offs would have been $3,181,000 in 2009. Over half of this occurred in our U.S. operation.

After the customary detailed year-end review of the Company's $247 million portfolio, all problem Loans and accounts were identified and provided for. The Company maintains separate allowances for credit and loan losses on both its Loans and its guarantee of managed receivables, at amounts, which, in management's judgment, are sufficient to cover losses thereon. The allowance for losses on Loans decreased by $1,459,000 to $1,528,000 at December 31, 2009 from $2,987,000 last year-end. As set out in note 4 to the Statements, the allowance last year-end comprised a general allowance of $1,535,000, as well as specific allowances of $1,452,000 established against a number of non-performing Loans, while the allowance at December 31, 2009 comprised only a general allowance. The allowance for losses on the guarantee of managed receivables comprised a general allowance of $1,089,000 at December 31, 2009, $403,000 higher than the $686,000 general allowance last year-end. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. As these managed receivables are off-balance sheet, this allowance is included in the total of accounts payable and other liabilities. The increase in this allowance in 2009 resulted from higher managed receivables. The activity in both allowance for losses accounts for 2009 and 2008 is set out in note 4 to the Statements. The estimates of both allowance for losses are judgmental. Management considers them to be adequate.

Assets held for sale totalled $4,997,000 at December 31, 2009 and comprised certain assets securing a defaulted loan upon which the Company foreclosed and obtained title in May 2009. As noted above, an impairment charge of $1,265,000 was taken against the assets in the fourth quarter of 2009. The assets are currently being actively marketed for sale and will be sold as market conditions permit. The assets are stated at their net realizable value at December 31, 2009. There were no assets held for sale at December 31, 2008.

Cash declined to $339,000 at December 31, 2009 compared to $994,000 at the end of 2008. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. However, due to the large volume of cash being processed daily it is necessary that a certain amount of cash be held to fund daily requirements. Fluctuations in cash balances are normal.

Future income tax assets, net, rose to $576,000 at December 31, 2009 compared with $211,000 last year-end. The increase pertains to the future income tax benefit of certain charges incurred in 2009 that

Contractual Obligations and Commitments at December 31, 2009

(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	$ 325	$ 568	$ 230	$ 258	$ 1,381
Purchase obligations	11	1	—	—	12
	$ 336	$ 569	$ 230	$ 258	$ 1,393

will be deductible for income tax purposes in future years.

Capital assets declined by $115,000 to $520,000 at December 31, 2009 from $635,000 last year-end as the Company's 2009 depreciation expense exceeded net capital additions. Capital assets acquired during the year, net of disposals, totalled $86,000 compared to $221,000 in 2008 and principally comprised automobiles, computers and office equipment.

Goodwill totalled $1,011,000 at December 31, 2009 compared to $1,171,000 at December 31, 2008. Goodwill is carried in our U.S. operation and is subject to an annual impairment test. In 2009 and 2008, the Company determined there was no impairment to the carrying value of goodwill. The decrease in goodwill balance in 2009 relates to the translation of our U.S. operation's goodwill balance of US$962,000 into Canadian dollars at a lower year-end U.S. dollar exchange rate than at December 31, 2008.

Total liabilities at December 31, 2009 declined by $736,000 to $54,582,000 compared to $55,318,000 last year-end. Changes in the Company's liabilities are discussed below.

Bank indebtedness totalled $36,798,000 at December 31, 2009 compared to $35,877,000 a year earlier. The Company has approved credit lines with a number of banks totalling approximately $102 million and was in compliance with all loan covenants thereunder at December 31, 2009. The Company's major credit lines are typically renewed for a period of one or two years at a time as circumstances, such as pricing, dictate. Bank indebtedness usually fluctuates with the quantum of Loans outstanding. The Company has no term debt outstanding.

Amounts due to clients decreased by $71,000 to $4,517,000 at December 31, 2009 compared to $4,588,000 at the end of 2008. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Accounts payable and other liabilities increased by $186,000 to $3,266,000 at December 31, 2009 compared to $3,080,000 last year-end. As noted above, accounts payable and other liabilities include the allowance for losses on the guarantee of managed receivables, which increased by $403,000 in 2009.

Deferred income, which comprises the deferral of a portion of factoring commissions and discounts until collection of the underlying receivables (see note 3(c) to the Statements), declined by $83,000 to $746,000 at December 31, 2009 compared to $829,000 last year-end.

Notes payable decreased by $1,691,000 to $9,253,000 at December 31, 2008 compared to $10,944,000 last year-end. Please see Related Party Transactions section below and note 9 to the Statements. The decrease in 2009 represents net note redemptions.

Capital stock increased by $176,000 in 2009 to $6,908,000 at December 31, 2009 from $6,732,000 a year earlier. There were 9,408,971 shares outstanding as at December 31, 2009 compared to 9,438,171 shares a year earlier. Note 10(b) to the Statements provides details of changes in the Company's issued and outstanding common shares and capital stock. During 2009, 49,000 stock options were exercised pursuant to the terms of the employee stock option plan for proceeds of $194,000, while $39,000 was transferred to capital stock from contributed surplus

upon the exercise of these stock options. Offsetting these increases was a $56,000 reduction in capital stock in respect of shares repurchased and cancelled by the Company pursuant to the terms of its normal course issuer bids (“Bids”). Note 10(c) to the Statements provides details of the Company’s Bids. During 2009, 78,200 common shares were repurchased and cancelled under the Company’s Bids at a cost of $455,000 (an average price of $5.82 per common share). This amount was applied to reduce capital stock and retained earnings by $56,000 and $399,000, respectively. At the date of this MD&A, March 1, 2010, 9,408,971 common shares remained outstanding.

Details of the Company’s stock option plans and options outstanding at December 31, 2009 are set out in note 10(e) to the Statements. The Company has issued no options to employees or directors since May 2004. 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 and its subsidiaries. Details of the Company’s SARs plan are set out in note 10(f) to the Statements. During 2009, 100,000 SARs were granted by the Company to directors and employees at a strike price of $6.03, while in 2008 95,000 SARs were granted at a strike price of $7.25. These are the only SARs granted by the Company to date. At December 31, 2009, the 195,000 (2008 – 95,000) outstanding SARs had no intrinsic value. The 82,500 SARs issued to employees were not vested as of December 31, 2009.

Contributed surplus totalled $43,000 at December 31, 2009 compared to $82,000 at December 31, 2008. The decrease in 2009 comprised the $39,000 that was transferred from contributed surplus to capital stock upon the exercise of stock options. Please refer to note 10(d) to the Statements.

Retained earnings increased by $240,000 in 2009 to $43,783,000 at December 31, 2009 compared to $43,543,000 at December 31, 2008. The increase in 2009 comprised net earnings of $3,089,000 less dividends paid of $2,450,000 (26 cents per common share) and the $399,000 premium paid on the shares repurchased under the Bids. Please refer to the Consolidated Statements of Retained Earnings on page 28 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. The loss was $7,379,000 at December 31, 2009 compared to a loss of $2,178,000 at December 31, 2008. Please refer to note 17 to the Statements. The increased loss position in 2009 was caused by the 14% decline in value of the U.S. dollar against the Canadian dollar during the year. The U.S. dollar declined from $1.218 at December 31, 2008 to $1.051 at December 31, 2009. This reduced the Canadian dollar equivalent of the Company’s net investment in its U.S. subsidiary of approximately US$31 million by $5,201,000 in 2009.

Liquidity and Capital Resources

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital resources and makes adjustments to them in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital resources, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay debt. Amongst other things, the Company monitors the ratio of its equity to total assets, principally Loans, and its debt to shareholders' equity. These ratios are presented as percentages in Table 2 for the last three years. The ratios at December 31, 2009 indicate the Company's continued financial strength and overall low degree of leverage.

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

The Company had bank credit lines totalling approximately $102 million at December 31, 2009 and had borrowed approximately $37 million against these facilities. Funds generated through operating activities, notes payable and share issues decrease the usage of, and dependence on, these lines.

As noted in the Review of Balance Sheet section above, the Company had cash of $339,000 at December 31, 2009, a decrease of $655,000 compared to $994,000 at December 31, 2008. As far as possible, cash on hand is usually maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Fiscal 2009 cash flows: *Year ended December 31, 2009 compared with year ended December 31, 2008*

Cash inflow from net earnings before changes in operating assets and liabilities totalled $3,083,000 in 2009, a decrease of 50% compared with a cash inflow of $6,114,000 last year. After changes in operating assets and liabilities are taken into account, there was a net cash inflow from operating activities of $2,956,000 in 2009 compared with a net cash inflow of $14,011,000 last year. The net cash inflow in 2009 principally arose from net earnings, while the net cash inflow in 2008 principally arose from collections of Loans of $10,052,000 and net earnings.

Net cash outflow from financing activities totalled $2,954,000 in 2009 compared to $14,831,000 last year. In 2009 dividends totalling $2,450,000 were paid, $1,615,000 of notes payable, net, were redeemed, while 78,200 common shares were repurchased under the Bids at a cost of $455,000. Partly offsetting these outflows was an increase in bank indebtedness of $1,372,000 and the $194,000 received from the issuance of 49,000 shares pursuant to the exercise of stock options. In 2008, bank indebtedness of $13,332,000 was repaid, while dividends totalling $2,281,000 were paid and $1,005,000 was expended on the repurchase of common shares under the Bids. Offsetting these outflows was $1,276,000 received from the issue of notes payable, net, and $510,000 received from the issuance of shares pursuant to the exercise of stock options.

The effect of exchange rate changes on cash in 2009 comprised a $570,000 decrease compared to a $886,000 increase in 2008. The decrease in 2009 was largely due to the impact of the decline in the value of the U.S. dollar against the Canadian dollar on our U.S. operations.

Overall, there was a net cash outflow of $654,000 in 2009 compared to $154,000 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, 2009 decreased by $1,690,000 to $9,254,000 compared with $10,944,000 at December 31, 2008. Interest expense on these notes declined to $189,000 in 2009 compared to $437,000 last year largely as a result of lower interest rates. A breakdown between amounts payable to related parties and to third parties and the respective interest expense is set out in note 9 to the Statements.

Financial Instruments

All financial assets, including derivatives, are measured at fair value on the consolidated balance sheet with

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

At December 31, 2009, the Company had outstanding forward foreign exchange contracts with a financial institution that oblige the Company to sell Canadian dollars and buy US$1,157,000 at exchange rates ranging from 1.0654 to 1.1081. These contracts were entered into on behalf of clients and similar contracts were entered into between the Company and the clients to sell US$1,157,000 to and buy Canadian dollars from the clients. The contracts are discussed further in note 16 to the Statements.

Critical Accounting Policies and Estimates

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

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

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

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

   Management believes that its allowances for losses are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and are set out in note 4 to the Statements.

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

Change In Accounting Policy

In June 2009, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to Canadian Handbook Section 3862, Financial Instruments – Disclosures, to expand disclosures of financial instruments consistent with new disclosure requirements necessary under International Financial Reporting Standards ("IFRS"). These amendments were effective for the Company commencing January 1, 2009 and introduce a three-level fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of financial instruments. The fair values for the three levels are based on:

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

Future Changes in Accounting Policies

Transition to International Financial Reporting Standards

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

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

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

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

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

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

Based on the current information available, the Company has compared the accounting policies that it presently follows under GAAP with the proposed accounting policies under IFRS. At this point in time, no changes in the current accounting policies are expected on adoption of IFRS although new International Accounting Standards ("IAS") may be introduced which may result in changes. The Company is, however, continuously monitoring

information to determine or estimate the impact on its financial position and results of operations for any of the IFRS conversion changes identified. In particular, the Company will review new IAS that are introduced in the future to determine the impact on the Company.

While there certainly will be changes in the disclosure and notes requirements as stipulated by IFRS, the Company does not anticipate any major changes in the business processes and information technology systems leading to the collection of information for the purpose of IFRS related reporting.

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

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, 2009 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 test its effectiveness; and

(iii) the Company's management has designed and tested the effectiveness of its internal control over financial reporting as at December 31, 2009 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, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 19 to the Statements, which discusses the Company's financial risk management practices.

Competition

The Company operates in an intensely competitive environment and its results could be significantly affected by the activities of other industry participants. The Company expects competition to persist in the

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

The economy

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

Credit risk

The Company is in the business of factoring its clients' receivables and making asset-based loans. The Company's portfolio totalled approximately $247 million at December 31, 2009. Operating results may be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 19(a) to the Statements.

Interest rate risk

The Company's agreements with its clients (revenue) and lenders (interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to some degree. However, as the Company's floating rate Loans substantially exceed its borrowings, the Company is exposed to some degree to interest rate fluctuations. Please refer to note 19(c)(ii) to the Statements.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources are held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and attempt to neutralize the impact of foreign exchange movements on its operating results where possible. In recent years, the Company has seen the weakening of the U.S. dollar against the Canadian dollar adversely affect its operating results when its U.S. subsidiary's results are translated into Canadian dollars. It has also caused a significant decrease in the value of the Company's net Canadian dollar investment in its U.S. subsidiary, which has reduced the accumulated other comprehensive income or loss component of shareholders' equity to a loss position. Please refer to notes 17 and 19(c)(i) to the Statements.

Potential acquisitions and investments

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

Personnel significance

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

Outlook

The Company's principal objective is managed growth – putting quality new business on the books while maintaining high underwriting standards. Marketing initiatives and alliances continue. We are seeing increased deal flow and our profile is increasing as the credit and capital markets remain depressed. Meanwhile, our non-recourse subsidiary is seeing record factoring volumes as international business

and the demand for its credit guarantee services rises in the current adverse economic climate. Lower funds employed, reduced interest rates and higher non-performing loans have adversely impacted revenues, while weak economic conditions have increased the Company's credit risk. This resulted in the Company incurring significantly higher credit and loan losses, and an impairment charge, in the past eighteen months. Many large industry players are currently having trouble securing funding and smaller finance companies are exiting the industry as a result of adverse economic and credit conditions. Accord, with its substantial capital and borrowing capacity, is well positioned to capitalize on these market opportunities.

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

Stuart Adair
Vice President,
Chief Financial Officer
March 1, 2010

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.

1. Portfolio turnover

We try to minimize risk by turning our portfolio in as few days as possible. The turnover has been relatively consistent over the last three years and in 2009 was 49 days.

2. Past due receivables

We also try to keep our past due receivables as low as possible. Over the past three years, the percentage of managed receivables past due more than 60 days has ranged from 8.2% to 9.5%. At December 31, 2009, the percentage was 8.2%.

3. Reserves to portfolio

In an effort to minimize financial risk, we try to maximize this measure. Over the past three years, it has ranged between 1.0% and 1.6%, and was 1.0% at Dec. 31, 2009.

4. 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 percentage was 56% at Dec. 31, 2009, the lowest in the last three years as net charge-offs rose as a result of adverse economic conditions.

5. Net charge-offs to volume

This is an important benchmark in our business. The long term industry average ranges from 15 to 20 basis points. The figure in 2009 at 27 basis points was the highest in the last three years as current adverse economic conditions impacted the Company.

Ten Year Financial Summary 2000-2009

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

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Factoring volume	$	1,372	1,253	1,366	1,439	1,489	1,424	1,417	1,497	1,596	1,748
Revenue	$	31,031	28,197	26,235	26,214	27,418	26,230	28,864	28,346	28,060	24,045
Interest		2,516	1,569	757	773	1,225	1,762	2,391	2,992	2,871	1,180
General and administrative		14,422	14,422	14,324	14,175	13,760	14,892	13,290	13,143	13,491	13,290
Provision for credit and loan losses		1,328	6,754	1,189	1,231	422	1,074	1,961	2,402	3,849	3,648
Impairment of assets held for sale		—	—	—	—	—	—	—	—	—	1,265
Depreciation and amortization		654	828	408	418	416	338	322	209	195	181
Provision for settlement of claim		—	—	2,339	712	—	—	—	—	—	—
Total expenses		18,920	23,573	19,017	17,309	15,823	18,066	17,964	18,746	20,406	19,564
Earnings before income tax expense		12,111	4,624	7,218	8,905	11,595	8,164	10,900	9,600	7,654	4,481
Income tax expense		4,683	1,705	2,569	3,066	3,971	2,861	3,783	3,313	2,613	1,392
Earnings before extraordinary gain		7,428	2,919	4,649	5,839	7,624	5,303	7,117	6,287	5,041	3,089
Extraordinary gain		—	—	—	—	—	907	—	—	—	—
Net earnings	$	7,428	2,919	4,649	5,839	7,624	6,210	7,117	6,287	5,041	3,089
Earnings per common share											
Basic	$	0.79	0.31	0.49	0.61	0.78	0.63	0.73	0.66	0.53	0.33
Diluted		0.76	0.30	0.49	0.61	0.76	0.62	0.72	0.66	0.53	0.33
Dividends per common share	$	0.14	0.14	0.14	0.16	1.68	0.18	0.20	0.22	0.24	0.26
Factored receivables and loans	$	70,156	63,075	64,882	69,479	71,136	84,270	79,863	103,940	99,990	89,907
Other assets		9,797	4,807	7,186	6,005	2,909	5,834	4,816	3,193	3,508	8,030
Total assets	$	79,953	67,882	72,068	75,484	74,045	90,104	84,679	107,133	103,498	97,937
Bank indebtedness	$	30,748	11,732	10,298	20,045	15,608	32,592	26,687	48,207	35,877	36,798
Due to clients		3,487	7,932	6,783	4,309	5,532	5,092	4,227	4,897	4,588	4,517
Accounts payable and other liabilities		3,941	2,553	5,952	2,932	5,227	5,565	3,940	4,459	3,081	3,267
Deferred income		1,124	937	956	916	908	992	913	806	829	746
Notes payable		1,466	2,119	2,451	2,482	11,778	7,298	9,195	9,567	10,944	9,254
Total liabilities		40,766	25,273	26,440	30,684	39,053	51,539	44,962	67,936	55,319	54,582
Shareholders' equity		39,187	42,609	45,628	44,800	34,992	38,565	39,717	39,197	48,179	43,355
Total liabilities and equity	$	79,953	67,882	72,068	75,484	74,045	90,104	84,679	107,133	103,498	97,937
Shares outstanding at Dec. 31	#	9,503	9,503	9,513	9,650	9,876	9,930	9,443	9,454	9,438	9,409
Book value per share at Dec. 31	$	4.12	4.48	4.80	4.64	3.54	3.88	4.21	4.15	5.10	4.61
Share price - high	$	6.60	6.65	5.85	7.55	11.25	8.80	8.25	9.45	8.39	6.70
- low		5.00	4.56	4.80	4.95	6.50	6.70	7.00	7.72	4.75	5.25
- close at Dec. 31		5.60	5.10	5.05	7.05	8.75	7.05	7.75	8.00	5.81	5.25

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 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's 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 internal control over financial reporting (Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings). The Company is 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 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 Credit Committee of the Board, which comprises three members thereof, reviews and approves all credit above $2.5 million, including loans to clients and assumption of credit risk;
(iv) appointing 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 procedures in place to disseminate information, respond to inquiries, and issue press releases covering significant business activities;
(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 this regard, in December 2009, the Board undertook a self-assessment of its effectiveness. A number of recommendations came out of this survey that will be acted upon by 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 operational aspects of the Company. Each director is expected to attend all Board meetings and comprehensively review meeting materials provided in advance of each meeting. During 2009 there were four meetings of the Board of Directors, which were attended by all directors, with the exception of Mr. Tom Henderson who attended the two meetings after his appointment as a director on July 28, 2009. There was an "in camera" session at each of the four directors meetings in which non-executive directors met without management.

Composition of the Board

The Board currently comprises nine persons and is chaired by Mr. Ken Hitzig. The biographies of those directors standing for reelection at the May 5, 2010 Annual Meeting are set out in the Company's Management Proxy Circular dated March 22, 2010, which was mailed to shareholders with this Annual Report and is filed under the Company's profile with SEDAR at www.sedar.com. Of the current board, six 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. Tom Henderson, President and CEO, and Mr. Ken Hitzig, executive Chairman, are officers of the Company and are, by definition, non-independent directors. Mr. Simon Hitzig is the son of Mr. Ken Hitzig and is, by definition, a non-independent director. All directors stand for re-election annually. A number of Board members also act as directors of other public companies. These directorships, if any, are set out in each Board member's biography.

The Board has considered its size and believes that between six and eight members is the ideal size of Board for a company of Accord's size to facilitate effective decision-making and direct and immediate communication between the directors and management. In this regard, three members of the current Board (Messrs. Beck, Beutel and Lamont) have decided not to stand for reelection at the Company's next Annual Meeting on May 5, 2010. Upon election of the Board on May 5, 2010, the Board will not have a majority of independent directors. The Board is currently in the process of indentifying independent candidates to be appointed or elected to the Board which will result in there being a majority of independent directors. The size of the Company's Board 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, such as credit approval.

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. The Board itself is responsible for identifying and considering prospective candidates to be appointed to the Board or elected by the shareholders. Nominees must have the required expertise, skills and experience in order to add value to the Board. The Board solicits the names of candidates possessing these qualities as determined by members of the Board and senior management. A list of candidates is then drawn up and considered by the Board who will interview the candidate(s) to determine their suitability. The Board then decides the candidates to be appointed directly or nominated for election by the shareholders. 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.

Given the fact that there have only been three new directors of the Company in the past fifteen years, all of whom were familiar with the Company and its business at the time of appointment, 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 outside sources.

Committees of the Board

The Board discharges its responsibilities directly and through three committees: an Audit Committee, a Compensation Committee and a Credit Committee. The Board's Audit and Compensation Committee is

comprised of independent directors, which helps ensure objectivity in matters where management's influence could be prevalent.

The Audit Committee is currently composed of Mr. Austin Beutel, Chairman, Mr. Ben Evans, Mr. John Lamont and Mr. Frank White. Each member of the Audit Committee is financially literate, that is, they are able to read and understand fundamental financial statements. It is contemplated that Mr. Robert Beutel will join the Audit Committee when Messrs. Austin Beutel and John Lamont's term as directors ends on May 5, 2010. 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 2009 there were five 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. The Chairman of the Audit Committee advises in every Audit Committee meeting if any matters have been reported to him under the whistleblower policy. All reported matters are investigated and appropriate action taken if warranted. The Company's Code of Ethics and whistleblower policy are available on its website at www.accordfinancial.com.

The Compensation Committee is currently composed of Mr. Austin Beutel, Mr. John Lamont and Mr. Thomas Beck. These directors are not standing for reelection on May 5, 2010 and it is contemplated that Messrs. Robert Beutel and Frank White will be appointed to the Company's Compensation Committee at that time. 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. The Compensation Discussion and Analysis report to shareholders is included in the Company's Management Proxy Circular. During 2009 there were three meetings of the Compensation Committee, which were attended by all three members.

The Board's Credit Committee is currently composed of Messrs. Ben Evans, Frank White, and Simon Hitzig. The purpose of the Credit Committee is to manage the Company's credit risk in respect of larger exposures to clients and customers. The Credit Committee reviews and approves all client and customer credit in excess of $2.5 million, including loans to clients and assumption of credit risk.

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.

The Company's President and CEO, Mr. Tom Henderson, was appointed to that position on May 6, 2009 when the Company's founder, Mr. Ken Hitzig, was appointed Chairman of the Board. Mr. Henderson does not have a formal written position description, however, prior to his appointment, Mr. Henderson met with members of the Board, who outlined their requirements, goals and expectations of him. Mr. Henderson has been in the factoring and specialty finance industry for over 40 years and has been President and CEO of Accord's U.S. subsidiary Accord Financial, Inc., since 2001. Given the small size of the Company and the ongoing interaction between the Board, its Chairman and Mr. Henderson, Mr. Henderson is aware of the requirements of his position as CEO and no formal written position description is considered necessary.

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 procedures and the design and operating effectiveness 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
Vice President,
Chief Financial Officer

Toronto, Canada
March 1, 2010

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Accord Financial Corp. as at December 31, 2009 and 2008 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, 2009 and 2008 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

KPMG LLP

Toronto, Canada
February 23, 2010

Consolidated Balance Sheets

At December 31	2009	2008
Assets		
Factored receivables and loans, net (note 4)	$ 89,906,633	$ 99,990,000
Assets held for sale (note 5)	4,996,716	—
Cash	339,267	993,723
Other assets	302,742	229,554
Income taxes receivable	284,886	266,693
Future income taxes, net (note 12)	576,375	211,273
Capital assets (note 6)	520,129	635,010
Goodwill (note 7)	1,010,744	1,171,346
	$ 97,937,492	$ 103,497,599
Liabilities		
Bank indebtedness (note 8)	$ 36,798,397	$ 35,876,905
Due to clients	4,517,282	4,588,209
Accounts payable and other liabilities	3,266,477	3,080,485
Deferred income	746,273	828,624
Notes payable (note 9)	9,253,501	10,944,148
	54,581,930	55,318,371
Shareholders' equity		
Capital stock (note 10)	6,908,481	6,731,581
Contributed surplus (note 10(d))	42,840	82,225
Retained earnings	43,783,131	43,543,490
Accumulated other comprehensive loss (note 17)	(7,378,890)	(2,178,068)
	43,355,562	48,179,228
Commitments and contingencies (notes 4, 14, 15 and 16)		
	$ 97,937,492	$ 103,497,599
Common shares outstanding (note 10)	9,408,971	9,438,171

See accompanying notes to consolidated financial statements.

On behalf of the Board

Ken Hitzig,
Chairman of the Board

Tom Henderson,
President & Chief Executive Officer

Consolidated Statements of Earnings

Years ended December 31	2009	2008
Revenue		
Factoring commissions, discounts, interest and other income	$ 24,045,288	$ 28,059,765
Expenses		
Interest	1,180,185	2,871,402
General and administrative	13,290,213	13,490,618
Provision for credit and loan losses	3,647,849	3,848,451
Impairment of assets held for sale (note 5)	1,265,280	—
Depreciation	181,148	195,133
	19,564,675	20,405,604
Earnings before income tax expense	4,480,613	7,654,161
Income tax expense (note 12)	1,392,000	2,613,000
Net earnings	$ 3,088,613	$ 5,041,161
Earnings per common share (note 13)		
Basic	$ 0.33	$ 0.53
Diluted	0.33	0.53
Weighted average number of common shares (note 13)		
Basic	9,420,390	9,490,837
Diluted	9,424,384	9,530,932

Consolidated Statements of Comprehensive Income

Years ended December 31	2009	2008
Net earnings	$ 3,088,613	$ 5,041,161
Other comprehensive (loss) income:		
Unrealized (loss) gain on translation of self-sustaining foreign operation	(5,200,822)	6,716,819
Comprehensive (loss) income	$ (2,112,209)	$ 11,757,980

Consolidated Statements of Retained Earnings

Years ended December 31	2009	2008
Retained earnings at January 1	$ 43,543,490	$ 41,680,286
Net earnings	3,088,613	5,041,161
Dividends paid	(2,449,986)	(2,280,810)
Premium on shares repurchased for cancellation (note 10(c))	(398,986)	(897,147)
Retained earnings at December 31	$ 43,783,131	$ 43,543,490

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31	2009	2008
Cash provided by (used in)		
Operating activities		
Net earnings	$ 3,088,613	$ 5,041,161
Items not involving cash		
Allowances for losses, net of charge-offs and recoveries	(985,311)	830,773
Impairment of assets held for sale	1,265,280	—
Deferred income	(64,598)	1,266
Depreciation	181,148	195,133
Loss on disposal of capital assets	10,612	—
Future income tax expense	(412,644)	45,826
	3,083,100	6,114,159
Changes in operating assets and liabilities		
Factored receivables and loans, gross	856,196	10,052,281
Due to clients	15,993	(475,854)
Income taxes payable/receivable	37,266	(1,323,238)
Other assets	(47,436)	71,272
Accounts payable and other liabilities	(853,046)	(427,161)
Addition to assets held for sale	(209,264)	—
Sale of assets held for sale	73,049	—
	2,955,858	14,011,459
Investing activities		
Additions to capital assets, net	(85,886)	(220,508)
Financing activities		
Bank indebtedness	1,372,220	(13,331,681)
Notes payable (redeemed) issued, net	(1,615,247)	1,276,157
Issuance of shares	193,550	510,200
Repurchase and cancellation of shares	(455,021)	(1,005,017)
Dividends paid	(2,449,986)	(2,280,810)
	(2,954,484)	(14,831,151)
Effect of exchange rate changes on cash	(569,944)	886,239
Decrease in cash	(654,456)	(153,961)
Cash at January 1	993,723	1,147,684
Cash at December 31	$ 339,267	$ 993,723
Supplemental cash flow information		
Interest paid	$ 958,454	$ 2,520,291
Income taxes paid	2,301,506	3,987,389

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2009 and 2008

1. Description of the business

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

2. Basis of presentation

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

3. Significant accounting policies

(a) *Basis of consolidation*

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

(b) *Accounting estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting 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.

(c) *Revenue recognition*

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

(d) *Allowances for losses*

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

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

(e) *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.

(f) Goodwill

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

(g) 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.

(h) Foreign subsidiary

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

(i) 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.

(j) Earnings per common share

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

(k) 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.

(l) Derivative financial instruments

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

(m) Assets held for sale

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

(n) Change in accounting policy: Financial instruments - disclosures

In June 2009, The Canadian Institute of Chartered Accountants (“CICA”) issued amendments to Handbook Section 3862, Financial Instruments - Disclosures, to expand disclosures of financial instruments consistent with new disclosure requirements necessary under International Financial Reporting Standards (“IFRS”). These amendments were effective for the Company commencing January 1, 2009 and introduce a three-level fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of financial instruments. The fair values for the three levels are based on:

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

4. Factored receivables and loans

	2009	2008
Factored receivables	$ 73,832,506	$ 70,886,805
Loans to clients	17,602,127	32,090,195
Factored receivables and loans, gross	91,434,633	102,977,000
Less allowance for losses	1,528,000	2,987,000
Factored receivables and loans, net	$ 89,906,633	$ 99,990,000

The Company's allowance for losses on factored receivables and loans (collectively, “loans”) at December 31, 2009 comprised only a general allowance. At December 31, 2008 the allowance for losses comprised a general allowance of $1,535,000 and specific allowances against a number of non-performing loans of $1,452,000. The non-performing loans at December 31, 2008 totalled $4,948,994, net of the specific allowances. During 2009, charge-offs were taken against the non-performing loans at December 31, 2008 and as at December 31, 2009 there were no specific allowances outstanding.

The activity in the allowance for losses on factored receivables and loans account during 2009 and 2008 was as follows:

	2009	2008
Allowance for losses at January 1	$ 2,987,000	$ 1,942,000
Provision for credit and loan losses	2,564,705	3,171,825
Charge-offs	(4,823,689)	(2,481,692)
Recoveries	870,674	246,982
Foreign exchange adjustment	(70,690)	107,885
Allowance for losses at December 31	$ 1,528,000	$ 2,987,000

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, 2009, the gross amount of these managed receivables was $155,359,571 (2008 - $133,754,008). At that date, management provided an amount of $1,089,000 (2008 - $686,000) as a general allowance for losses on the guarantee of these managed receivables, which represents the estimated fair value of these guarantees. As these managed receivables are off-balance sheet, this allowance is included in the total of accounts payable and other liabilities.

The activity in the allowance for losses on the guarantee of managed receivables account during 2009 and 2008 was as follows:

	2009	2008
Allowance for losses at January 1	$ 686,000	$ 725,000
Provision for credit losses	1,083,144	676,626
Charge-offs	(743,262)	(887,585)
Recoveries	63,118	171,959
Allowance for losses at December 31	$ 1,089,000	$ 686,000

The nature of the Company's business involves funding or assuming the credit risk on receivables offered to it by its clients. The Company controls the credit risk associated with its factored receivables and loans and managed receivables in a variety of ways. For details of the Company's policies and procedures in this regard, please refer to note 19(a).

5. Assets held for sale

During 2009 the Company obtained title to certain long-lived assets securing a defaulted loan. The loan was written down by $1,127,000 to the net realizable value of the assets at the date title was obtained and this amount is included in the provision for credit and loan losses for 2009. Subsequently, the Company determined the net realizable value of the assets was further diminished and an impairment charge of $1,265,280 was taken to write down the assets to their net realizable value as of December 31, 2009.

The assets are currently being actively marketed for sale and will be sold as market conditions permit. The net realizable value of the assets at December 31, 2009 was determined based on a professional appraisal of, and unaccepted offers received for, the assets.

6. Capital assets

	2009	2008
Cost	$ 2,624,921	$ 2,747,802
Less accumulated depreciation	2,104,792	2,112,792
	$ 520,129	$ 635,010

7. Goodwill

Goodwill is tested for impairment annually or more frequently if impairment indicators arise. During 2009 and 2008, the Company conducted annual impairment reviews and determined there was no impairment to the carrying value of goodwill. The change in the net goodwill balance in 2009 relates to the translation of the Company's net goodwill balance of US$961,697 into Canadian dollars at a different prevailing year-end exchange rate.

8. Bank indebtedness

Revolving lines of credit 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, 2009, the amounts outstanding under these lines of credit totalled $36,798,397 (2008 - $35,876,905). The Company was in compliance with the loan covenants under these lines of credit as at December 31, 2009 and 2008.

9. 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:

	2009		2008	
	Notes payable	Interest expense	Notes payable	Interest expense
Related parties	$ 7,695,372	$ 161,371	$ 9,665,558	$ 379,220
Third parties	1,558,129	28,091	1,278,590	57,910
	$ 9,253,501	$ 189,462	$10,944,148	$ 437,130

10. 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 ("Board"). At December 31, 2009 and 2008, there were no first preferred shares outstanding.

(b) *Issued and outstanding*

The common shares issued and outstanding are as follows:

	Number	Amount
Balance at Jan. 1, 2008	9,454,171	$ 6,215,914
Issued on exercise of stock options	138,000	510,200
Shares repurchased for cancellation	(154,000)	(107,870)
Transfer from contributed surplus	—	113,337
Balance at Jan. 1, 2009	9,438,171	$ 6,731,581
Issued on exercise of stock options	49,000	193,550
Shares repurchased for cancellation	(78,200)	(56,035)
Transfer from contributed surplus	—	39,385
Balance at Dec. 31, 2009	9,408,971	$ 6,908,481

The fair value of stock options previously recorded in contributed surplus is transferred to capital stock when exercised.

(c) *Share repurchase program*

On August 1, 2007, the Company received approval from the Toronto Stock Exchange ("TSX") to commence a 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 terminated on August 7, 2008. Under the 2007 Bid, the Company repurchased and cancelled 75,600 shares at an average price of $7.83 per share for total consideration of $591,782. This amount was applied to reduce share capital by $49,705 and retained earnings by $542,077.

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

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

During the year ended December 31, 2009, the Company repurchased and cancelled 78,200 common shares acquired under the 2008 and 2009 Bids at an average price of $5.82 per common share for total consideration of $455,021. This amount was applied to reduce share capital by $56,035 and retained earnings by $398,986. During the year ended December 31, 2008, the Company repurchased and cancelled 154,000 common shares acquired under the 2007 and 2008 Bids at an average price of $6.53 per common share for total consideration of $1,005,017. This amount which was applied to reduce share capital by $107,870 and retained earnings by $897,147.

(d) Contributed surplus

	2009	2008
Balance at January 1	$ 82,225	$ 195,562
Transfer to capital stock (note 10(b))	(39,385)	(113,337)
Balance at December 31	$ 42,840	$ 82,225

(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.

During 2009, there were 49,000 (2008 - 138,000) stock options exercised for cash proceeds of $193,550 (2008 - $510,200), which were credited to capital stock.

The following table is a summary of stock option activity:

	2009	2008
Outstanding at Jan. 1	91,000	229,000
Exercised	(49,000)	(138,000)
Outstanding at Dec. 31	42,000	91,000

The following stock options were earned, exercisable and outstanding at December 31:

Exercise price	Expiry date	2009	2008
Employee stock option plan:			
$ 3.95	July 2, 2009	—	49,000
$ 7.25	July 5, 2010	42,000	42,000
		42,000	91,000
Weighted average exercise price		$ 7.25	$ 5.47

(f) Share appreciation rights

The Company has an established SARs plan whereby SARs are 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 10 trading days that the shares were traded immediately preceding the date of grant, or other 10 day trading period that the Board may determine. 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 automatically be 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, at which time, exercise will be compulsory.

11. 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 10(f) sets out details of the Company's SARs plan. Changes in the fair value of outstanding SARs are calculated at each balance sheet date. The change will be recorded in general and administrative expenses, with a corresponding entry to accounts payable and other liabilities.

During 2009, 100,000 SARs were granted by the Company to directors and employees at a strike price of $6.03, while in 2008 95,000 SARs were granted at a strike price of $7.25. At December 31, 2009 the 195,000 (2008 – 95,000) outstanding SARs had no intrinsic value. The 82,500 SARs issued to employees were not vested. No stock options were granted by the Company in 2009 and 2008.

12. Income taxes

The Company's income tax expense comprises:

	2009	2008
Current income tax expense	$ 1,804,644	$ 2,567,174
Future income tax (recovery) expense	(412,644)	45,826
Income tax expense	$ 1,392,000	$ 2,613,000

The Company's income tax expense varies from the amount that would be computed using the Canadian statutory income tax rate of 33.0% (2008 - 33.5%) due to the following:

	2009	%
Tax computed at statutory rates	$ 1,478,602	33.0
Decrease resulting from:		
Lower effective tax rate on income of subsidiaries	(38,099)	(0.8)
Other	(48,503)	(1.1)
Income tax expense	$ 1,392,000	31.1

	2008	%
Tax computed at statutory rates	$ 2,564,144	33.5
Increase resulting from:		
Higher effective tax rate on income of subsidiaries	45,683	0.6
Other	3,173	—
Income tax expense	$ 2,613,000	34.1

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

	2009	2008
Future income tax assets:		
Allowances for losses	$ 274,356	$ 348,902
Impairment charge	470,428	—
Capital assets	9,000	24,000
Other	—	10,353
	753,784	383,255
Future income tax liabilities:		
Goodwill	(172,259)	(168,815)
Other	(5,150)	(3,167)
	(177,409)	(171,982)
Future income taxes, net	$ 576,375	$ 211,273

13. 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:

	2009	2008
Basic weighted average number of common shares outstanding	9,420,390	9,490,837
Effect of dilutive stock options	3,994	40,095
Diluted weighted average number of common shares outstanding	9,424,384	9,530,932

Certain options were excluded from the calculation of diluted shares outstanding in 2009 and 2008 because they were considered to be anti-dilutive for earnings per common share purposes.

14. 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, 2009, the Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $858,553 (2008 - $2,273,300). These amounts have been considered in determining the allowance for losses on factored receivables and loans.

15. Lease commitments

The Company is committed under operating leases, principally office space leases, which expire between 2012 and 2017. The minimum rentals payable under these 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:

2010	$ 325,187
2011	325,310
2012	242,268
2013	114,917
2014	114,917
Thereafter	258,564
	$ 1,381,163

16. Financial instruments

The Company has entered into forward foreign exchange contracts with a financial institution, which must be exercised by the Company between January 4, 2010 and May 28, 2010 and which obligate the Company to sell Canadian dollars and buy US$1,157,000 at exchange rates ranging from 1.0654 to 1.1081. These contracts were entered into by the Company on behalf of a number of clients and similar forward foreign exchange contracts were entered into between the Company and the clients, whereby the Company will buy Canadian dollars from and sell US$1,157,000 to the clients. The favorable and unfavorable fair values of these contracts were recorded on the Company's balance sheet in other assets and accounts payable and other liabilities, respectively. There has been no gain or loss to the Company as a result of entering into these contracts.

As at December 31, 2008, the Company had entered into a forward foreign exchange contract with a financial institution that matured January 30, 2009 and obliged the Company to sell Canadian dollars and buy US$400,000 at an exchange rate of 1.1545. The contract was entered into by the Company on behalf of one of its clients and a similar forward foreign exchange contract was entered into between the Company and the client, whereby the Company would buy Canadian dollars from and sell US$400,000 to the client. The favorable and unfavorable fair values of the contract were recorded on the Company's balance sheet in other assets and accounts payable and other liabilities, respectively. There was no gain or loss to the Company as a result of entering into this contract.

The contracts have all been classified as Level 2.

17. Accumulated other comprehensive loss

Accumulated other comprehensive loss comprises the unrealized foreign exchange gain or loss arising on translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary, which are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Movements in this balance during 2009 and 2008 were as follows:

	2009	2008
Balance at January 1	$ (2,178,068)	$ (8,894,887)
Unrealized (loss) gain on translation of self-sustaining foreign operation in year	(5,200,822)	6,716,819
Balance at December 31	$ (7,378,890)	$ (2,178,068)

18. 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.

19. Financial risk management

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. In the Company's case, credit risk arises with

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

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

Monitoring and communicating with its clients' customers is measured by, amongst other things, an analysis which indicates the amount of receivables current and past due. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payments terms of 30 to 60 days from invoice date. Of the total managed receivables for which the Company guarantees payment, 8.2% (2008 - 9.3%) were past due more than 60 days at December 31, 2009. In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

The Company employs a client rating system to assess credit risk in its recourse factoring business, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, principally its clients' receivables, while in its non-recourse factoring business it employs a customer credit scoring system to assess the credit risk associated with those client receivables that it guarantees (managed receivables). Credit risk is primarily managed by ensuring that the receivables factored are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. The Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. For a factoring company, the financial strength of its clients' customers is often more important than the financial strength of the clients themselves. The Company also minimizes credit risk by limiting to $10,000,000 the maximum amount it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, and charging back or making receivables ineligible for lending purposes as they become older. The Company will also confirm the validity of the receivables that it purchases. In its non-recourse business exposure to certain customers upon which credit guarantees have been granted may exceed $10 million. All customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case by case basis. At December 31, 2009, the Company had guaranteed accounts receivable in excess of $10 million in respect of two customers.

The following table summarizes the Company's credit exposure relating to its factored receivables and loans by industrial sector at December 31, 2009:

Industrial sector	Gross factored receivables and loans	% of total
	(in thousands)	
Manufacturing	$ 40,759	45
Wholesale and distribution	21,774	24
Financial and professional services	16,719	18
Transportation	5,168	6
Other	7,015	7
	$ 91,435	100

The following table summarizes the Company's credit exposure relating to its managed receivables by industrial sector at December 31, 2009:

Industrial sector	Managed receivables	% of total
	(in thousands)	
Retail	$ 130,980	84
Engineering	7,942	5
Other	16,438	11
	$ 155,360	100

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, notes payable, due to clients and accounts payable and other liabilities. Revolving credit lines totalling approximately $102,000,000 have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. At December 31, 2009, the Company had borrowed approximately $37,000,000 (2008 - $36,000,000) against these facilities (see note 8). These lines of credit are collateralized primarily by factored receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit as at December 31, 2009 and 2008. Notes payable (see note 9) are due on demand and are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. As at December 31, 2009, 83% of these notes were due to related parties and 17% to third parties. Due to clients principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a week of receipt. Accounts payable and other liabilities comprise a number of different obligations the majority of which are payable within six months.

The Company had gross factored receivables and loans totalling approximately $91,000,000 at December 31, 2009, which substantially exceeded its total liabilities of approximately $55,000,000 at that date. The Company's receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

(c) Market risk

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

(i) Currency risk

The Company is exposed to currency risk primarily in its self-sustaining U.S. subsidiary, which operates exclusively in U.S. dollars, to the full extent of the U.S. subsidiary's net assets of approximately US$31,000,000 at December 31, 2009. The Company's investment in its U.S. subsidiary is not hedged as it is long-term in nature. Unrealized foreign exchange gains or losses arise on the translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary into Canadian dollars at the balance sheet date. Resulting foreign exchange gains or losses are credited or charged to other comprehensive income or loss with a corresponding entry to the accumulated other comprehensive income or loss component of shareholders' equity (see note 17). The Company is also subject to foreign currency risk on the earnings of its U.S. subsidiary, which are unhedged. Based on the U.S. subsidiary's results in the year ended December 31, 2009, a one cent change in the U.S. dollar against the Canadian dollar would change the Company's annual net earnings by approximately $2,000. It would also change other comprehensive income or loss and the accumulated other comprehensive income or loss component of shareholders' equity by approximately $310,000.

The Company's Canadian operations have some assets and liabilities denominated in foreign

currencies, principally factored receivables and loans, cash, bank indebtedness and due to clients. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At December 31, 2009, the Company's unhedged foreign currency positions in its Canadian operations did not exceed $460,000 (2008 - $150,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis when necessary to address short-term imbalances.The impact of a one percent change in its unhedged positions would not have a material impact on the Company's net earnings.

(ii) Interest rate risk

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

The Company's agreements with its clients (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 a large degree. However, as the Company's factored receivables and loans substantially exceed its borrowings, the Company is exposed to interest rate risk as a result of the difference, or gap, between interest sensitive assets and liabilities. This gap largely exists because of, and fluctuates with, the quantum of the Company's shareholders' equity.

The following table shows the interest rate sensitivity gap at December 31, 2009:

(in thousands)	Floating rate	Within 3 months	Non-rate sensitive	Total
Assets				
Factored receivables and loans, net	$ 80,311	$ 4,922	$ 4,674	$ 89,907
Assets held for sale	—	—	4,997	4,997
Cash	284	—	55	339
All other assets	—	—	2,694	2,694
	80,595	4,922	12,420	97,937
Liabilities				
Bank indebtedness	29,966	6,832	—	36,798
Due to clients	—	—	4,517	4,517
Notes payable	9,253	—	—	9,253
All other liabilities	—	—	4,013	4,013
Shareholders' equity	—	—	43,356	43,356
	39,219	6,832	51,886	97,937
	$ 41,376	$ (1,910)	$ (39,466)	$ —

Based on the Company's interest rate positions as at December 31, 2009, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $395,000 over a one-year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

20. Capital disclosure

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt. The Company monitors the ratio of its equity to total assets, principally factored receivables and loans, and its debt to shareholders' equity. As a percentage, the ratios totalled 44% (2008 - 47%) and 106% (2008 - 97%), respectively, at December 31, 2009 indicating the Company's continued financial strength and overall low degree of leverage. The Company's debt, and leverage, will usually rise with an increase in factored receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, AFIC is required to maintain a debt to TNW ratio of less than 4.0, while AFIU is required to maintain a minimum TNW of US$18 million and a ratio of total liabilities to TNW of less than 3.0. The Company was fully compliant with these covenants at December 31, 2009 and 2008. There were no changes in the Company's approach to capital management from the previous year.

21. 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.

2009 (in thousands)	Canada	United States	Inter-company	Consolidated
Identifiable assets	$ 54,944	$ 42,993	$ —	$ 97,937
Revenue	$ 16,985	$ 7,102	$ (42)	$ 24,045
Expenses				
Interest	1,147	75	(42)	1,180
General and administrative	9,695	3,595	—	13,290
Provision for credit and loan losses	1,928	1,720	—	3,648
Impairment of assets held for sale	—	1,265	—	1,265
Depreciation	154	27	—	181
	12,924	6,682	(42)	19,564
Earnings before income tax expense	4,061	420	—	4,481
Income tax expense	1,309	83	—	1,392
Net earnings	$ 2,752	$ 337	$ —	$ 3,089

2008 (in thousands)	Canada	United States	Inter-company	Consolidated
Identifiable assets	$ 55,911	$ 47,587	$ —	$103,498
Revenue	$ 20,264	$ 7,836	$ (40)	$ 28,060
Expenses				
Interest	2,666	245	(40)	2,871
General and administrative	10,042	3,449	—	13,491
Provision for (recovery of) credit and loan losses	3,878	(29)	—	3,849
Depreciation	169	26	—	195
	16,755	3,691	(40)	20,406
Earnings before income tax expense	3,509	4,145	—	7,654
Income tax expense	1,137	1,476	—	2,613
Net earnings	$ 2,372	$ 2,669	$ —	$ 5,041

22. International financial reporting standards

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

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]

Simon Hitzig, Toronto, Ontario

Tom Henderson, Greenville, South Carolina

(1) Member of Audit Committee
(2) Member of Compensation Committee

Officers

Ken Hitzig, Chairman of the Board

Tom Henderson, President & CEO

Fred Moss, Vice President

Mark Perna, Vice President

Jim Bates, Secretary

Robert J. Beutel, Assistant Secretary

Stuart Adair, Vice President,
Chief Financial Officer

Subsidiaries

Accord Financial Ltd.
Mark Perna, President

Accord Financial Inc.
Fred Moss, President

Accord Financial, Inc.
Tom Henderson, President

Auditors

KPMG LLP

Legal Counsel

Stikeman Elliott

Bankers

BB&T

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

Annual Meeting

The Annual Meeting of Shareholders will be held Wednesday, May 5th, 2010 at 4:15 pm at The Toronto Board of Trade, First Canadian Place, Toronto, Ontario

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