Annual Report ■ 2010

Enduring Strength

Quick Response

Superior Client Service

Experienced Management

International Services

Financial Strength

Long-Term Relationships

Innovative Solutions

ACCORD FINANCIAL

Keeping Business Liquid

Enduring Strength

This year's Annual Report presents Accord Financial's enduring strength. A strong body is composed of many parts, including form, mind and spirit. So too is Accord's enduring strength composed of many parts: financial strength, experienced management, superior client service, quick response, innovative solutions, long-term relationships and international services. These are some of the many strengths of Accord; Accord's enduring strength. It is with this enduring strength that Accord is keeping business liquid.

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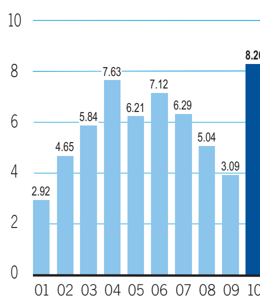
Financial Highlights

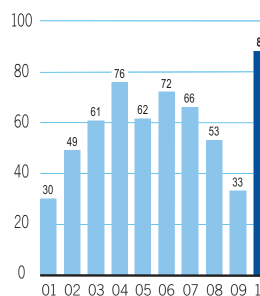
Three Year Financial Highlight Summary

	2010	2009	2008
Operating Data Years ended December 31 (in thousands of dollars except where indicated)			
Factoring volume (in millions)	**$ 2,120**	$ 1,748	$ 1,596
Revenue	**31,406**	24,045	28,060
Net earnings	**8,255**	3,089	5,041
Return on average shareholders' equity	**18.2%**	6.7%	11.7%
Balance Sheet Data At December 31 (in thousands of dollars)			
Total assets	**$112,938**	$ 97,937	$103,498
Shareholders' equity	**44,475**	43,356	48,179
Common Share Data (per common share)			
Earnings - basic	**$ 0.88**	$ 0.33	$ 0.53
- diluted	**0.88**	0.33	0.53
Dividends paid	**0.28**	0.26	0.24
Share price - high	**8.14**	6.70	8.39
- low	**5.25**	5.25	4.75
- close at December 31	**7.50**	5.25	5.81
Book value at December 31	**4.92**	4.61	5.10



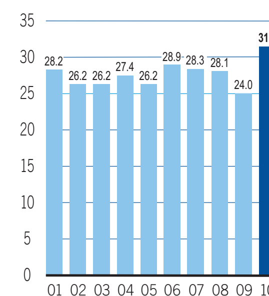
Net Earnings
(in millions of dollars)

Net earnings were a record $8.26 million in 2010, 167% above 2009's net earnings of $3.09 million.



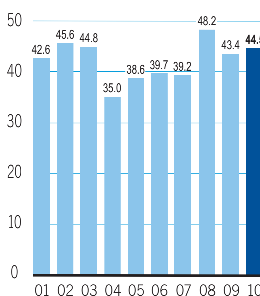
Diluted Earnings per Share (in cents)

Diluted earnings per share were a record 88 cents in 2010, 16% above the previous best of 76 cents.



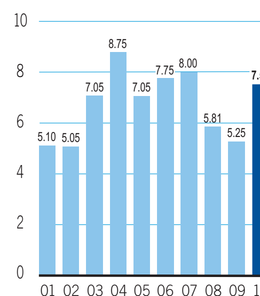
Revenue
(in millions of dollars)

Revenue rose 31% to a record $31.4 million in 2010 on record factoring volume and increased funds employed and yields.



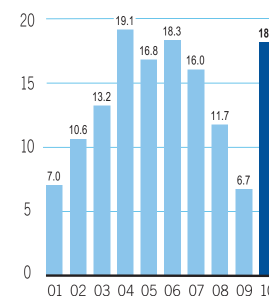
Shareholders' Equity
(in millions of dollars)

Shareholders' equity totalled $44.5 million at December 31, 2010, which represented a book value per share of $4.92.



Share Price
(close at December 31 in dollars)

Accord's share price rose 43 in 2010 to close at $7.50 on December 31, 2010.



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

Return on equity was a strong 18.2% in 2010, one of the highest returns in the last ten years.

Accord's Enduring Strength

In my letter last year I predicted that the U.S. and Canada would not see a full-blown recovery in 2010. That forecast turned out to be quite accurate. Nevertheless, there *was* improvement in the economy, albeit unspectacular, and we are pointed in the right direction. The financial sector in the U.S. has finally stopped bleeding, but much of it is still on life-support. While the U.S. banks were spending most of the year trying to repair their balance sheets, the opportunity to lend to small- and medium-sized businesses was wide open. Accord's U.S. operation was in an excellent position to meet this sector's needs, and it did. The situation in Canada was quite different. The country saw an economic downturn, complete with high unemployment, declining corporate earnings, and all the trappings of a recession. But there were no "bubbles" or bank failures, and the depth of the recession was not as deep as in the U.S.

There are two main services that Accord provides to its clientele: non-recourse factoring, wherein we underwrite the credit for our clients' customers; and corporate lending, namely financing provided to our clients. The major benefit of factoring for our clients is the elimination of customer credit risk with resulting enhancement of their balance sheets and borrowing capacity. Accord's lending services are used by companies in transition and unable to tap bank funding; companies growing too fast for the banks' comfort level; and, most significantly, companies that were pushed to find a "new home" due to banks' internal issues.

In 2010, therefore, the stage was set for Accord to have a good year. In fact, we had more than a "good year", we had a record year.

We entered 2010 with strong, experienced management and abundant borrowing capacity and were able to take advantage of the opportunities presented to us. Net earnings for 2010 were $8,255,000, topping our previous best of $7,624,000. Earnings per diluted share were a record 88 cents, while our rate of return on average capital climbed to 18.2%. Similarly impressive earnings were recorded in the U.S. and Canada: $3,233,000 south of the border and $5,022,000 north of the border. Accord's total outstandings rose from $96 million at the end of 2009 to $108 million at Dec. 31, 2010, an increase of 12%.

Three of our long serving and valued board members did not stand for re-election at the Annual Meeting last May. They were Austin Beutel (a member since 1978), Tom Beck (1978) and Jack Lamont (1989). Sadly, a fourth member (since 1991), Frank White, passed away in September. These gentlemen made significant contributions to the development and growth of our Company. They kept me on my toes all these years. They will be missed.

Two new directors have come on board since last Summer; Stephen Warden and Robert Sandler. Steve is a former KPMG partner who was in charge of the Accord audit for over 25 years and has become well-versed in our business. Robert has been in factoring and finance for over 40 years, having been employed in a senior capacity by some of the finest companies in the U.S. He was also Chairman of the Commercial Finance Association, the industry trade group for North America.

The Year Ahead

We enter 2011 with a sound quality portfolio and first class resources, human and financial. I had no doubt we would come through the difficult period of 2008 - 2009 – when our earnings were less than stellar – and shine in 2010. And shine Accord did. My thanks to our team, who contributed to that spirit of confidence. My thanks, too, to Tom Henderson who showed the way. I'm grateful to our directors and shareholders who gave us their unfailing support. I look forward to seeing you at our Annual Meeting on May 4, 2011.

Ken Hitzig
Chairman of the Board

Toronto, Ontario
March 1, 2011

Keeping Business Liquid

Not bad, I'd say. We've come from lackluster results in 2009—a year of The Great Recession—to record profits in 2010, the year economists warned would be 12 months of unrelieved gloom and doom. What's more, Accord boosted its quarterly dividend to shareholders to 7.5 cents per share while maintaining a record of dividend payments unbroken since 1987. Two of our units benefited from the impact of excellent new business that was booked in late 2009 and early 2010. Here I am speaking of our non-recourse factoring business and our U.S. lending business. Meanwhile, I am pleased to report that our Canadian lending business bounced back nicely by sharply increasing revenues and reducing charge-offs, improving operational procedures and strengthening and realigning its management team.

We set a new corporate volume record when we processed $2.1 billion of receivables in 2010. This works out to almost $8.5 million per business day. Our non-recourse business inched up 2% over the previous year but still set a record of $924 million. Our lending business in the U.S. and Canada experienced a surge in activity, which saw volumes rise by 43% to almost $1.2 billion, also a record. Our gross revenue rose 31% to a record $31.4 million in 2010. Interest cost rose 47% to $1.7 million. The "spread" rose 30% to $29.7 million in 2010 compared with $22.9 million in 2009. General and administrative expenses were $14.7 million in 2010 versus $13.3 million the previous year. We had a very significant improvement in our provision for credit and loan losses, which fell from $3.6 million in 2009 to $1.3 million in 2010. We wrote down our assets held for sale by another $1.2 million in 2010, after a write-down of $1.3 million in 2009.

Net earnings for 2010 were $8,255,000, our best for any year. Previous year's earnings were $3,089,000. Earnings per diluted share were a record 88 cents in 2010 versus 33 cents the previous year. Return on average equity rose to 18% in 2010 compared with 7% in 2009.

Revenue from operations in Canada increased to $21 million in 2010 compared with $17 million in 2009. Net earnings from Canadian operations in 2010 rose 82% to $5,022,000 compared with $2,752,000 in 2009.

Our U.S. operations enjoyed a big come-back in 2010 with revenue jumping 51% to $10,707,000 from $7,102,000 the previous year. Expenses were up moderately, but credit and loan losses fell from $1,720,000 in 2009 to $561,000 in 2010. Net earnings rose from $337,000 in 2009 to $3,233,000 in 2010.

The Company continued and renewed its normal course issuer bid and we repurchased 343,400 shares for cancellation in 2010 at a cost of $2,569,000, or an average of $7.48 per share. The number of common shares outstanding at year-end was 9,065,571, down from 9,408,971 a year earlier.

As the economy wound down at the close of 2010 pessimism was still in the air. Nevertheless I find it interesting that our industry attracted significant new entrants last year, especially in the U.S. Meanwhile, most of the weakened competitors I referred to in this message last year managed to re-enter the marketplace. Most surprising, and this occurred in the second half, was the return of aggressive lending practices by many U.S. banks. This phenomenon bears some explanation. The regional banks have seen their book of commercial and industrial loans shrink at the same time as they are having difficulty reducing their non-performing real estate and consumer problem loans. As a result, they have apparently decided to bulk up their commercial and industrial loan portfolio. They are offering exceptionally low rates to businesses with spotty operating performances. However, most of them do not have the appropriate infrastructure to monitor these new loans. This is a toxic mixture that does not bode well for banks. The result of all this is that competition has increased noticeably. We don't mind that. We have lived with this constant challenge forever, and have thrived. One thing we don't like is the reduced loan demand that all lenders are seeing. Accord must compete, and since we will not compromise on credit quality, nor qualify for TARP funds, we may have to

Quick Response: Accord responds immediately to clients with reliable information and a clear indication of interest in providing funding. Accord's decision-makers provide most client credit decisions within 24 hours and have closed complex transactions in less than two weeks. Our quick response to support client opportunities and initiatives enables clients to improve their performance.

live with somewhat lower margins and reduced earning assets in the near term.

We have a slightly different situation in Canada. The banks do not have significant problem loans and have always provided our industry with a certain degree of competition. We are inured to this. However, Accord is one of the country's market leaders and there are many lenders nipping at our heels. This competition was there throughout 2010 and will be just as intense, if not more so, in 2011.

As 2010 began, I reported my optimism that your Company was well positioned to take full advantage of the many opportunities that a reviving world economy will offer. We did that even though the economic revival was anemic, competition intensified and loan demand was weak. The world remains a dangerous and uncertain place and distant global events can create tumult of one kind or another. Still we remain confident of our ability to manage our assets through such a period. This is why I am very proud of my colleagues. They produced as well or even better than we could have expected. As for 2011, we are well prepared to continue to operate with discipline, a common sense of purpose and the confidence that we possess the collective genius to withstand any challenge and capitalize on all opportunities.

A person not familiar with Accord may wonder where all this confidence comes from. Let me tell you. First, we boast a proud heritage of thirty-three years of consistent exemplary service to our clientele in Canada and in the U.S. and equally exemplary returns for our shareholders. Not many companies in our business can even dream of matching that record.

Second, we have assembled an array of financial products very suitable for the small- and medium-sized businesses that we serve. When these companies seek liquidity they know that Accord is keeping business liquid.

Third, we are blessed to have colleagues with incomparable experience in providing first class service, while safeguarding our own interests. These treasured assets don't appear on our balance sheet, but they add to our unquestioned strength.

A curious inquirer may well ask, "Is that it, is that why you're so confident?" Well no, actually, there is much more and it serves to complement our proud heritage, our financial products and our experienced colleagues.

Eighteen months ago we embarked on a comprehensive program to strengthen and create awareness of the Accord brand. At that time we changed the names of our two Canadian entities to Accord Financial, the same name as our parent company and our U.S. operating company. The names previously were Accord Business Credit and Montcap Financial. That was followed by the adoption of a new stylistic logo and our first ever tag line, *Keeping Business Liquid.* We then consolidated our four distinct websites into one. That site was recently revamped and I encourage you to have a look at www.accordfinancial.com. Finally, all our marketing and advertising, including our first ever corporate brochure, now emphasize our capabilities coast to coast in Canada and the U.S.

Internally, we have taken steps to foster our "one company unity". Last year we began publishing a bi-monthly in-house newsletter titled "*Voice of Accord*". This publication has been well received by our staff as it puts them in touch with people and events beyond their respective offices and business units. We also published and distributed to our staff and directors a wallet-size "message card" that enshrines our core values and principles, as well as describes our products and services and their value to our clients. This helps our geographically diverse staff stay on focus and present a common message to our clients and referral sources.

Finally, to further the "one company unity" theme, we inaugurated last Fall a series of three Accord professional discipline conferences. In September our Montreal office hosted a conference on Marketing and Sales. That was followed by our Toronto office hosting one on Underwriting and Credit. Then, in November, our Greenville office hosted a conference on Operations. These gatherings enabled our professionals to talk directly across the table with their counterparts in the other offices. They shared experiences, tips and a number of terrific ideas that are bound to increase our competencies and hopefully produce even better service to our clients, as well as enable us to attract more prospective clients.

Experienced Management: Accord's people are seasoned professionals, and most have been with us for many years. Their in-depth knowledge of industry specific credit information allows us to deliver superior service to our clients and sets us apart from the competition.

Just before closing this letter I have to let you know that I had the great pleasure in November of attending receptions in Montreal and Toronto commemorating the founding of Montcap Financial 20 years ago by our own Fred Moss. Hundreds of our clients, former clients, consultants, accountants, investment and commercial bankers were in attendance. It was marvellous meeting so many Accord fans, grateful for our presence in the marketplace. I met many nice people who were eager to relate specific instances where Accord provided significant and timely help to their businesses or their clients. These testimonies only serve to inspire us to do more and to get even better at what we do.

Our Annual General Meeting of shareholders takes place this year on May 4th in Toronto at the Toronto Board of Trade at 4:15 PM. Please consider attending. Our chairman, Ken Hitzig, executive staff, directors and I would be happy to greet you and answer any questions you have about your Company.

Sincerely,

Tom Henderson
President & Chief Executive Officer

Toronto, Ontario
March 1, 2011

In Memoriam

Frank White was on Accord's Board of Directors since 1991. He rarely missed a board or committee meeting. When his health was failing in 2010 his doctors told him he could not travel. Undeterred, Frank participated in Accord meetings by teleconference, sometimes from a hospital bed. He finally succumbed to cancer last September.

His dedication to Accord and impact at meetings were greatly appreciated. He will be missed.

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 have one of the top-ranked credit departments in the country with an immense amount of experience and expertise.

2 Recourse factoring

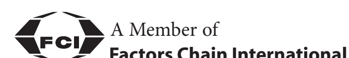
Offered in both the Canadian and U.S. markets, Accord's recourse factoring services focus on small- to medium-sized companies which larger asset-based lenders overlook. Our extensive access to capital positions Accord as a very reliable source of funds at competitive rates. We strive to provide superior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

3 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 and letters of credit and guarantees.

4 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.



Keeping Business Liquid Since the 1970s

Ken Hitzig
Chairman of the Board
Accord Financial Corp.

Tom Henderson
President & CEO
Accord Financial Corp.
Accord Financial, Inc.

Mark Perna
President
Accord Financial Ltd.

Fred Moss
President
Accord Financial Inc.

*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: *Gentlemen, we seemed to have ridden a roller coaster in the last two years. 2009 was the bottom, when our operating results were very disappointing, to 2010 when the roller coaster reached a new high, with net earnings of $8,255,000. Perhaps you can tell us what you did differently in 2010, and what we can expect in 2011. Mark, you manage Accord's non-recourse factoring business. What is your analysis?*

Mark: There was much concern in the business community about customer credit risk during the recession. Accord offered a very practical solution to virtually eliminate that risk. We did record volume in 2010; it was over 900 million dollars. Our clients got the protection they needed, and we recorded revenue 13% higher than 2009.

Ken: *Wasn't there more to it than that? Didn't your expenses rise with the increased volume?*

Mark: Our overhead went up only marginally from 2009. As well, our credit and collection people did an excellent job and credit losses fell by 50%. With volume and revenue up, we weren't surprised that we recorded our highest earnings ever.

Ken: *Fred, you manage our Canadian recourse factoring and finance operation. You had some rough going in 2008 and 2009 but you had a big turn-around in 2010. What did you do differently?*

Fred: We learned some valuable lessons from those two years. We tightened up on everything; credit standards, loan monitoring, overhead, and so on.

Ken: *That must have hurt your top line. Surely, your clients and potential clients were turned off, were they not?*

Fred: Apparently not. Our revenue actually grew by about 30% from 2009. The quality of our portfolio was dramatically improved, and loan losses fell to the lowest level in six years. Our bottom line was 2½ times what it was in 2008 and 2009.

Ken: *Tom, you're in charge of U.S. operations. The recession was deeper in the U.S. than in Canada, and Accord's U.S. business barely made money in 2009. You did much better in 2010. What did you do right?*

Innovative Solutions: Accord's management is innovative, thriving on finding creative solutions to clients' individual financial needs. By developing and adapting new and unique ideas to the clients' own circumstances, Accord delivers solutions that help keep businesses liquid and grow. Attention to clients' needs coupled with innovative solutions ensures strong client relationships.

Tom: We concentrated on our strengths and we did many things right, but I also know that the banks, crippled by the recession, did a few things wrong. As a result, we saw deals we would not normally see. We also saw less competition, as a number of players in our industry either shrunk or went out of business.

Ken: *You're making it sound like business fell into your lap. There's more to your success than that.*

Tom: We were very vigilant on credit standards, not only on new business, but monitoring our portfolio as well. We introduced a new internal credit risk rating system, and that helped. Our overhead was controlled. The result was a top-line increase of more than 65%, a reduction in loan losses of over one million dollars, and net earnings of over $3 million. We've never been there before.

Ken: *Looking down the road, are we optimistic about 2011, or will we be let down by market forces and the economy?*

Mark: It will be very difficult for our unit to trump the results of 2010. Competition is intensifying, especially from the credit insurers, and there will be rate compression to contend with. 2011 will be a challenge, but we've seen these situations before and have always overcome them.

Fred: Deal flow is quite good right now, and that's usually a good indicator of where we might be going this year. Of course, we will continue to be vigilant on credit standards in order to keep our loan losses to a minimum. The Canadian economy is growing, albeit slowly, but there will be plenty of opportunities for us to gain new clients. We have a good chance to beat last year's numbers.

Tom: The U.S. economy is making slow progress to recovery, so that's a good sign. We are confronted by several things. First, many of our competitors who withdrew from the market are now coming back. Second, some of the regional banks are now competing for business with us by offering very low rates. We plan to fight back by using one of our strengths, which is a quick response time. The ability to respond to a prospective client's needs in a timely fashion gives us a big edge in many situations. Nevertheless, with our yields under pressure we will have to run faster just to match last year's results.

Ken: *Are there any FAQs that your prospective clients ask you?*

Tom: The number one question asked is "Do you have the financial capacity to handle our business?" and number two is "How do I know you'll be around next year?" I respond by telling them to look at our financial statement (it's on our website) and they quickly realize we are a company of substance. As for the second question, we've been in business since the late 70s and that should tell you something.

Ken: *I know all of you very well, and I know the talented people working with you. I'm betting you'll do just fine in 2011. Thank you for your participation.*

Management's Discussion and Analysis of Results of Operations and Financial Condition

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, 2010 compared with the year ended December 31, 2009 and, where presented, the year ended December 31, 2008. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A should be read in conjunction with the Company's 2010 audited consolidated financial statements (the "Statements") and notes thereto, the Ten Year Financial Summary (see page 22), the Chairman's Letter and President's Message to the Shareholders, all of which form part of this 2010 Annual Report. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

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

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

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, yield and efficiency 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 operating expenses (namely, general and administrative expenses ("G&A") and depreciation) 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 taxes, net) expressed as a percentage of total assets; (ii) shareholders' equity expressed as a percentage of total assets; and (iii) debt (bank indebtedness and notes payable) expressed as a percentage of shareholders' equity. These

International Services: Our international credit department specializes in overseas business, simplifying the management of export and import receivables for clients. Our alliance with Factors Chain International networks Accord with more than 250 factoring companies in over 65 countries to facilitate international trade.

percentages, presented over the past three years, provide information on trends in the Company's financial condition and leverage.

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)

	2010	2009	2008
Revenue	**$ 31,406**	$ 24,045	$ 28,060
Net earnings	**8,255**	3,089	5,041
Earnings per share:			
Basic	**$ 0.88**	$ 0.33	$ 0.53
Diluted	**0.88**	0.33	0.53
Dividends per share	**0.28**	0.26	0.24
Total assets	**$112,938**	$ 97,937	$103,498

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 Inc. ("AFIC") in Canada and Accord Financial, Inc. ("AFIU") in the United States.

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

Results of Operations

Fiscal 2010: *Year ended December 31, 2010 compared with year ended December 31, 2009*

The Company's net earnings rose to a record $8,255,000 in 2010, 167% above 2009's net earnings of $3,089,000 and 64% above 2008's net earnings of $5,041,000. Net earnings increased compared to 2009 principally as a result of higher revenue and a lower provision for credit and loan losses. Net earnings increased compared to 2008 as a result of higher revenue, a lower provision for credit and loan losses and reduced interest expense. These items are discussed below. Diluted earnings per common share for 2010 increased to a record 88 cents, 167% higher than the 33 cents earned last year and 66% above the 53 cents earned in 2008. The Company's ROE rose to 18.2% in 2010 compared to 6.7% last year and 11.7% in 2008.

The volume of receivables factored by the Company in 2010 exceeded $2 billion for the first time ever, rising by 21% to $2.12 billion compared with $1.75 billion the prior year. Recourse factoring volume rose by 43%, while non-recourse volume rose by 2%. International volume, mostly cross-border business between the U.S. and Canada, declined somewhat to $433 million compared to $447 million in 2009. International volume comprised 20% of the Company's total volume in 2010, down from 26% in 2009.

Revenue increased by 31% or $7,361,000 in 2010 to a

Results of Operations

Years ended December 31 (in thousands unless otherwise stated)	2010 Actual	2010 % of Revenue	2009 Actual	2009 % of Revenue	% change from 2009 to 2010
Factoring volume (millions)	$ 2,120		$ 1,748		21%
Revenue					
Factoring commissions, discounts, interest and other income	$ 31,406	100.0%	$ 24,045	100.0%	31%
Expenses					
Interest	1,730	5.5%	1,180	4.9%	47%
General and administrative	14,662	46.7%	13,290	55.3%	10%
Provision for credit and loan losses	1,325	4.2%	3,648	15.2%	-64%
Impairment of assets held for sale	1,237	4.0%	1,265	5.3%	-2%
Depreciation	159	0.5%	181	0.7%	-12%
	19,113	60.9%	19,564	81.4%	-2%
Earnings before income tax expense	12,293	39.1%	4,481	18.6%	174%
Income tax expense	4,038	12.9%	1,392	5.8%	190%
Net earnings	$ 8,255	26.3%	$ 3,089	12.8%	167%
Earnings per common share:					
Basic	$ 0.88		$ 0.33		167%
Diluted	0.88		0.33		167%

record $31,406,000 compared to $24,045,000 in 2009 and was 12% higher than the $28,060,000 in 2008. Revenue increased as a result of a combination of higher factoring volume and funds employed, as well as improved yields and lower non-performing loans compared to 2009 and 2008.

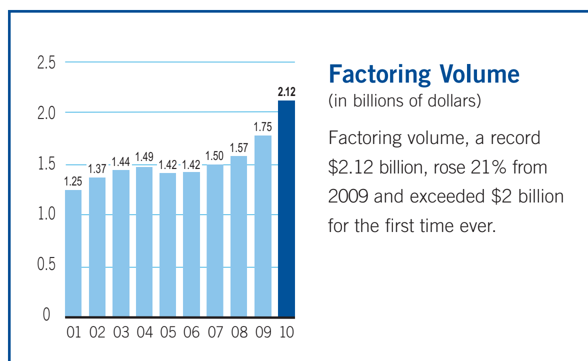
Interest expense increased by $550,000 or 47% to $1,730,000 in 2010 from $1,180,000 last year as a result of higher borrowings (bank indebtedness and notes payable). Interest rates were relatively stable in 2010 compared to 2009; the average Canadian prime rate of interest increased to 2.6% per annum in 2010 from 2.4% last year, while the average U.S. prime rate of interest at 3.25% was the same as in 2009.

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. In 2010, G&A increased by 10% or $1,372,000 to $14,662,000 from $13,290,000 the prior year. G&A expenses rose primarily as a result of a higher employee profit sharing expense and a significant stock-based compensation expense related to the Company's share appreciation rights ("SARs") (see note 11 to the Statements). The 10% decrease in average value of the U.S. dollar in 2010 helped keep G&A in check this year, while severance costs also declined by $230,000. The Company continues to manage its controllable expenses closely. On higher revenue, G&A totalled 47% of revenue in 2010 compared to 55% in 2009.

The provision for credit and loan losses declined by 64% to an acceptable $1,325,000 in 2010 from $3,648,000 last year. The provision for credit and loan losses in 2010 and 2009 comprised:

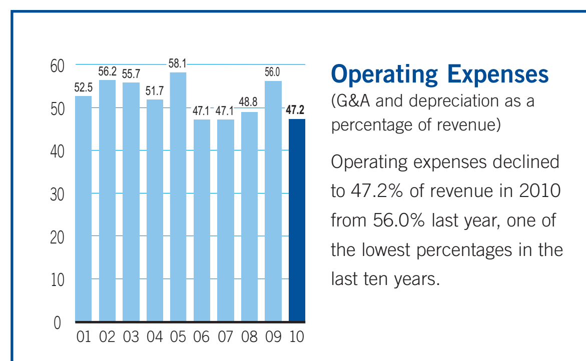
Year ended Dec. 31 (in thousands)	2010	2009
Net charge-offs	$ 1,037	$ 4,633
Charge (recovery) related to increase (decrease) in total allowances for losses	288	(985)
	$ 1,325	$ 3,648

Net charge-offs were much lower in 2010, decreasing 78% to $1,037,000 compared to $4,633,000 in 2009. 2009'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. The provision for credit and loan losses, as a percentage of revenue, decreased to 4% in 2010 from 15% in 2009 on higher



Factoring Volume
(in billions of dollars)

Factoring volume, a record $2.12 billion, rose 21% from 2009 and exceeded $2 billion for the first time ever.



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

Operating expenses declined to 47.2% of revenue in 2010 from 56.0% last year, one of the lowest percentages in the last ten years.

revenue and lower net charge-offs. 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 continues to employ a conservative approach to determining its allowances for losses and providing for charge-offs.

An impairment charge of $1,237,000 was taken in 2010 against the assets held for sale to write them down to their net realizable value. In 2009, an impairment charge of $1,265,000 was booked for similar reasons. The net realizable value of the assets held for sale was estimated using professional appraisals of the assets at December 31, 2010 and 2009. Please see discussion of the assets below.

Income tax expense increased by 190% to $4,038,000 in 2010 compared to $1,392,000 last year on a 174% rise in pre-tax earnings. The Company's effective corporate income tax rate for 2010 was 32.8% compared to 31.1% in 2009.

Table 1—Profitability, Yield and Efficiency Ratios

(as a percentage)	**2010**	2009	2008
Return on Average Assets	**7.8**	3.1	4.8
Return on Average Equity	**18.2**	6.7	11.7
Net Revenue / Average Assets	**28.1**	22.7	23.9
Operating Expenses / Average Assets	**14.1**	13.4	13.0

Table 1 highlights the Company's profitability in terms of returns on its average assets and shareholders' equity. In 2010, on higher net earnings, these percentages increased to 7.8% and 18.2%, respectively.

Net revenue as a percentage of average assets increased to 28.1% compared to 22.7% in 2009 as net revenue rose at a faster rate than average assets. The ratio of operating expenses to average assets increased to 14.1% in 2010 compared with 13.4% last year.

Canadian operations

Net earnings from Canadian operations in 2010 were $2,270,000 or 82% higher at $5,022,000 compared to $2,752,000 last year on increased revenue and a lower provision for credit and loan losses (see note 22 to the Statements).

Revenue rose 22% to $20,699,000 in 2010 compared to $16,985,000 last year on a 13% rise in volume, higher funds employed and improved yields. G&A increased by $1,457,000 or 15% to $11,152,000 largely as a result of a higher employee profit sharing and SARs expense. Interest expense rose by $268,000 or 23% to $1,415,000 on higher borrowings this year. The provision for credit and loan losses declined by $1,163,000 or 60% to $765,000 largely as a result of lower net charge-offs. Income tax expense increased by 68% to $2,204,000 in 2010 on a 78% rise in pre-tax earnings. The Canadian federal and Ontario income tax rates declined by a total of 2% in 2010 compared to 2009.

U.S. operations

Net earnings from U.S. operations were much improved in 2010, increasing by $2,896,000 to $3,233,000 compared to $337,000 in 2009 largely as a result of higher revenue and a lower provision for credit and loan losses. In U.S. dollars, net income increased to US$3,143,000.

Revenue rose by $3,605,000 or 51% in 2010 to a record $10,707,000 on higher factoring volume, funds employed and average yields. Interest expense increased to

Summary of Quarterly Financial Results*

Quarters ended (in thousands unless otherwise stated)	2010 Dec. 31	2010 Sept. 30	2010 June 30	2010 Mar. 31	2009 Dec. 31	2009 Sept. 30	2009 June 30	2009 Mar. 31
Factoring volume (millions)	**$ 532**	**$ 583**	**$ 500**	**$ 505**	$ 516	$ 449	$ 380	$ 402
Revenue								
Factoring commissions, discounts, interest and other income	**$ 8,217**	**$ 8,142**	**$ 8,069**	**$ 6,979**	$ 6,633	$ 5,664	$ 5,677	$ 6,071
Expenses								
Interest	**461**	**476**	**408**	**385**	364	271	245	301
General and administrative	**3,690**	**3,762**	**3,639**	**3,571**	3,198	3,073	3,544	3,475
Provision for credit and loan losses	**(345)**	**602**	**510**	**559**	1,059	1,176	1,083	331
Impairment of assets held for sale	**86**	**1,151**	**—**	**—**	1,265	—	—	—
Depreciation	**40**	**44**	**42**	**33**	34	45	50	51
	3,932	**6,035**	**4,599**	**4,548**	5,920	4,565	4,922	4,158
Earnings before income taxes	**4,285**	**2,107**	**3,470**	**2,431**	713	1,099	755	1,913
Income tax expense	**1,323**	**747**	**1,158**	**820**	108	390	261	633
Net earnings	**$ 2,962**	**$ 1,370**	**$ 2,312**	**$ 1,611**	$ 605	$ 709	$ 494	$ 1,280
Earnings per common share (dollars)								
Basic	**$ 0.32**	**$ 0.15**	**$ 0.25**	**$ 0.17**	$ 0.06	$ 0.08	$ 0.05	$ 0.14
Diluted	**0.32**	**0.15**	**0.25**	**0.17**	0.06	0.08	0.05	0.14

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

$315,000 compared to $74,000 last year on higher borrowings. G&A declined by $85,000 to $3,510,000 largely as a result of the weaker U.S. dollar in 2010. The provision for credit and loan losses decreased by $1,159,000 to $561,000 compared to $1,720,000 last year on lower net charge-offs. U.S. operations booked an impairment charge of $1,237,000 against the assets held for sale in 2010 compared to $1,265,000 last year. Income tax expense rose to $1,834,000 from $83,000 in 2009 on the increase in pre-tax earnings. The average value of the U.S. dollar declined by 10% in 2010 compared to 2009, which reduced the Canadian dollar equivalent of the Company's revenue and net earnings by approximately $1,100,000 and $350,000, respectively.

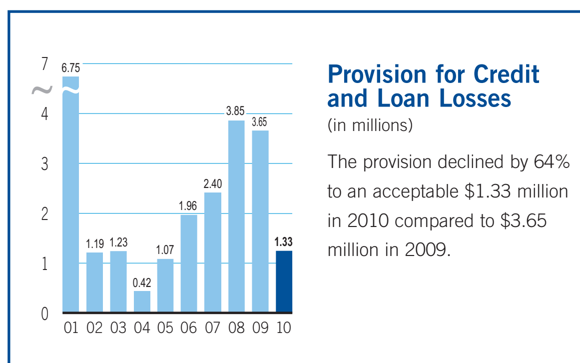
Fourth quarter 2010: *Quarter ended December 31, 2010 compared with quarter ended December 31, 2009*

Net earnings for the quarter ended December 31, 2010 were the Company's highest ever quarterly earnings. They rose by $2,357,000 or 390% to $2,962,000 compared to $605,000 in the fourth quarter of 2009. Net earnings increased principally as a result of higher revenue and a lower provision for credit and loan losses and impairment charge on the assets held for sale. Diluted earnings per common share increased to a record 32 cents compared to 6 cents last year.

Factoring volume rose by 3% to $532 million in the quarter compared to $516 million in the fourth quarter of 2009. Volume in the Company's recourse factoring business increased by 18%, while volume in its non-recourse factoring business declined by 12% on the cessation of certain low-rate international business.

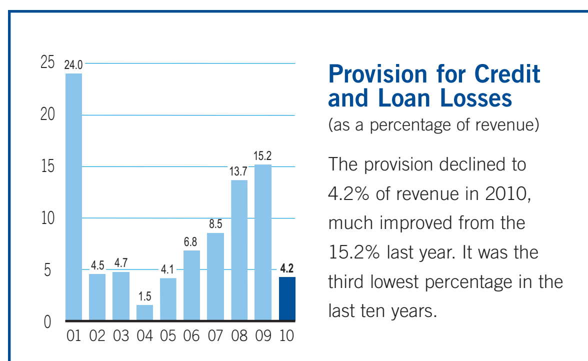
Revenue rose by $1,584,000 or 24% to $8,217,000 in the fourth quarter compared to $6,633,000 last year. Revenue increased for reasons noted above.

Interest expense rose by 27% to $461,000 in the fourth quarter compared to $364,000 in 2009 on higher borrowings largely used to finance increased funds employed.



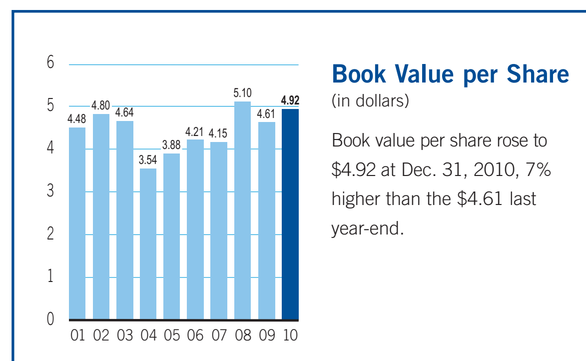
Provision for Credit and Loan Losses
(in millions)

The provision declined by 64% to an acceptable $1.33 million in 2010 compared to $3.65 million in 2009.



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

The provision declined to 4.2% of revenue in 2010, much improved from the 15.2% last year. It was the third lowest percentage in the last ten years.



Book Value per Share
(in dollars)

Book value per share rose to $4.92 at Dec. 31, 2010, 7% higher than the $4.61 last year-end.

G&A increased by $492,000 or 15% to $3,690,000 in the quarter compared to $3,198,000 last year. G&A rose principally as a result of a higher employee profit sharing expense arising on much improved earnings.

There was a recovery of credit and loan losses of $345,000 in the fourth quarter of 2010, an improvement of $1,404,000 compared to the provision for credit and loan losses of $1,059,000 last year. The recovery in 2010 and provision in 2009 comprised:

Quarter ended Dec. 31 (in thousands)	2010	2009
Net (recoveries) charge-offs	$ (76)	$ 887
(Recovery) charge related to (decrease) increase in total allowances for losses	(269)	172
	$ (345)	$ 1,059

An impairment charge of $86,000 was taken against the assets held for sale in the current quarter resulting from a reduction in the net realizable value thereof. An impairment charge of $1,265,000 was booked in the fourth quarter of 2009.

Income tax expense increased by $1,215,000 to $1,323,000 in the fourth quarter compared to $108,000 last year on a $3,572,000 rise in pre-tax earnings. The effective income tax rate was 30.9%.

Review of Balance Sheet

Shareholders' equity at December 31, 2010 totalled $44,575,000, an increase of $1,219,000 or 3% from $43,356,000 last year-end. Book value per share rose to $4.92 at December 31, 2010, 7% higher than the $4.61 a year earlier. The increase in shareholders' equity in 2010 principally resulted from higher retained earnings. The major components of shareholders' equity are discussed below.

Table 2—Balance Sheet Composition

(as a percentage)	2010	2009	2008
Tangible Equity / Assets	38	43	45
Equity / Assets	39	44	47
Debt (bank indebtedness & notes payable) / Equity	123	106	97
Receivables and Loans ($000)			
Loans	104,042	91,435	102,977
Managed Receivables	153,861	155,360	133,754
Total Portfolio	257,903	246,795	236,731

Total assets increased 15% to $112,938,000 at December 31, 2010 compared to $97,937,000 last year-end. Total assets largely comprised Loans. As detailed in the Ten Year Financial Summary, total assets have grown significantly in the last ten years as a result of the growth in the Company's recourse factoring and asset-based lending business.

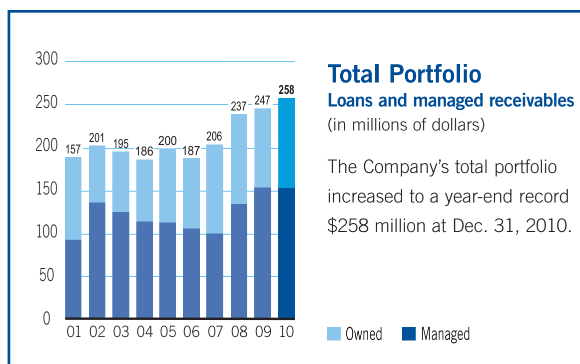
Table 2 highlights the composition of the Company's balance sheet. The first two ratios in the table (38% and 39%), detailing equity as a percentage of assets, declined in 2010 due to a proportionately greater increase in assets. These ratios indicate the Company's continued financial strength and overall 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, 2010, the same as last year-end (see note 22 to the Statements).

Gross Loans (funds employed), before the allowance for losses thereon, rose by $12,607,000 or 14% to

$104,042,000 at December 31, 2010 compared with $91,435,000 a year earlier. As detailed in note 4, the Company's Loans at December 31, 2010 comprised:

(in thousands)	2010	2009
Factored receivables	$ 86,911	$ 73,833
Loans to clients	17,131	17,602
Gross Loans	104,042	91,435
Less allowance for losses	1,729	1,528
Net Loans	$ 102,313	$ 89,907



The Company's factored receivables rose by 18% to $86,911,000 at December 31, 2010 compared to last year-end largely as a result of new client additions, while loans to clients declined slightly to $17,131,000. Net of the allowance for losses thereon, Loans rose by $12,406,000 to $102,313,000 at December 31, 2010 compared with $89,907,000 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 120 clients at December 31, 2010. Two clients each comprised over 5% of gross Loans at December 31, 2010, of which the largest client comprised 6%.

In its non-recourse factoring business, the Company contracts with clients to assume the credit risk associated with their receivables without financing them. Since the Company does not take title to these receivables, they do not appear on its balance sheet. These non-recourse or managed receivables totalled $154 million at December 31, 2010 compared to $155 million last year-end. Managed receivables comprise the receivables of approximately 180 clients. The 25 largest clients comprised 54% of non-recourse volume in 2010 compared to 58% in 2009. Most of the clients' customers are "big box", apparel, home furnishings or footwear retailers in Canada and the United States. At December 31, 2010, the 25 largest customers accounted for 57% of total managed receivables, of which the largest five comprised 41%. The Company monitors the retail industry and the credit risk related to its managed receivables very closely. The managed receivables are regularly reviewed and continue to be well rated.

The Company's total portfolio, which comprises both gross Loans and managed receivables, increased by 4% to a year-end record $258 million at December 31, 2010 compared to $247 million last year-end on a rise in Loans (see Table 2 and the Total Portfolio bar chart above for a ten 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 its 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, 10.5% were past due more than 60 days at December 31, 2010 compared to 8.2% last year-end. 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 limiting the Company's credit risk on such older receivables.

The Company employs a client risk 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 the managed receivables that it guarantees. Credit risk is primarily managed by ensuring that, as far as possible, the receivables factored are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. The Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. For a factoring company, the financial strength of its clients customers is often more important than the financial strength of the clients themselves. The Company also minimizes credit risk by limiting 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 factoring business exposure to certain customers upon which credit guarantees have been granted may exceed $10 million. All customer credit in excess of $2,500,000 is approved by the Company's Credit Committee on a case-by-case basis. At December 31, 2010, the Company had 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 tumultuous economic and credit environment. Note 19(a) to the Statements provides details of the Company's credit exposure by industrial segment.

Table 3—Credit Quality

(as a percentage unless otherwise stated)	2010	2009	2008
Receivables Turnover (days)	44	49	50
Managed Receivables past due more than 60 days	10.5	8.2	9.3
Reserves* / Portfolio	1.1	1.1	1.6
Reserves* / Net Charge-offs	276	56	125
Net Charge-offs / Volume	0.05	0.27	0.18

*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. Net charge-offs of our managed receivables declined to $501,000 in 2010 compared to $680,000 last year. Net charge-offs in the Company's recourse factoring business totalled $536,000 in 2010, substantially lower than the $3,953,000 last year. 2009's net charge-offs in our recourse factoring business included an amount of $1,452,000 relating to non-performing loans upon which specific allowances for losses were established and expensed in 2008. Overall, the Company's total net charge-offs in 2010, as discussed in the Results of Operations section above, declined by 78% to $1,037,000 compared with $4,633,000 in 2009. Total net charge-offs were 5 basis points of volume in 2010 compared to 27 basis points last year.

After the customary detailed year-end review of the Company's 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 increased by $201,000 or 13% to $1,729,000 at December 31, 2010 from $1,528,000 last year-end. The allowance for losses on the guarantee of managed receivables increased to $1,138,000 at December 31, 2010 compared to $1,089,000 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 activity in both allowance for losses accounts in 2010 and 2009 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 $3,482,000 at December 31, 2010 compared to $4,997,000 last year and comprised certain long-lived assets securing a defaulted loan upon which the Company foreclosed and obtained title in 2009. As a result of the continued depressed nature of the U.S. real estate market and a lack of purchasing interest relating to the assets in particular, the Company reappraised the assets during 2010 and determined that the net realizable value thereof had declined below their carrying value. As noted above, an impairment charge of $1,237,000 was taken against the assets during 2010. An impairment charge of $1,265,000 was taken against the assets in 2009, while a charge-off of $1,127,000 was booked against the defaulted loan upon taking title to the assets in 2009. In total, charge-offs of $3,629,000 have been taken against the original impaired loan. The assets continue to be marketed for sale and will be sold as market conditions permit. As set out in note 5 to the Statements, the assets are stated at their net realizable value. During 2010 assets held for sale totalling $242,000 were disposed of, while there were additions of $225,000 to the assets relating to improvements made to assist in the sale thereof.

Cash increased to $4,541,000 at December 31, 2010 compared to $339,000 at the end of 2009. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. However, due to the large volume of cash being processed daily it is necessary that a certain amount of cash be held to fund daily requirements. Fluctuations in cash balances are normal.

Future income tax assets, net, rose to $1,059,000 at December 31, 2010 compared with $576,000 last year-end. The increase pertains to the future income tax benefit of certain charges incurred, principally the impairment charges against assets held for sale, that are not currently deductible for income tax purposes but which will be in future years.

Goodwill, net of accumulated amortization, totalled $957,000 at December 31, 2010 compared to $1,011,000 at December 31, 2009. In accordance with GAAP, goodwill is no longer amortized (see note 3(f) to the Statements) but is subject to an annual impairment test. In 2010 and 2009, the Company determined there was no impairment to the carrying value of goodwill. The decrease in goodwill in 2010 relates to the translation of AFIU's goodwill balance of US$962,000 into Canadian dollars at a lower year-end U.S. dollar exchange rate than at December 31, 2009.

Total liabilities at December 31, 2010 rose by $13,781,000 to $68,363,000 compared to $54,582,000 last year-end. The increase principally resulted from a rise in bank indebtedness and, to a lesser extent, accounts payable and other liabilities.

Bank indebtedness increased by $7,798,000 or 21% to $44,596,000 at December 31, 2010 compared with $36,798,000 at December 31, 2009. The Company has approved credit lines with a number of banks totalling approximately $100 million and was in compliance with all loan covenants thereunder at December 31, 2010. 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 increased by $596,000 to $5,113,000 at December 31, 2010 compared to $4,517,000 at the end of 2009. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a few days of receipt. Fluctuations in amounts due to clients are not unusual.

Accounts payable and other liabilities rose by $3,180,000 to $6,446,000 at December 31, 2010 compared to $3,266,000 last year-end. The increase principally resulted from an amount of $2,515,000 payable in early January 2011 in respect of shares acquired in December 2010 under the Company's Normal Course Issuer Bid ("Bid") and a higher employee profit sharing liability. As noted above, accounts payable and other liabilities include the allowance for losses on the guarantee of managed receivables.

Income taxes payable totalled $1,242,000 at December 31, 2010 compared to income taxes receivable of $285,000 at the end of 2009. Higher income taxes were payable in 2010 as the Company's earnings rose significantly, while 2010's income tax instalments were based on the lower earnings of 2009. As a result, there were significant income taxes payable at December 31, 2010.

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), rose by $78,000 to $824,000 at December 31, 2010 compared to $746,000 last year-end.

Notes payable increased by $888,000 to $10,142,000 at December 31, 2010 compared to $9,254,000 last year-end as a result of new notes issued, net of redemptions, and accrued interest. Please see Related Party Transactions section below and note 9 to the Statements.

Capital stock decreased by $252,000 in 2010 to $6,656,000 at December 31, 2010 compared to $6,908,000 a year earlier as a result of shares repurchased and cancelled by the Company pursuant to the terms of its Bid. There were 9,065,571 common shares outstanding at December 31, 2010 compared to 9,408,971 a year earlier. Note 10 to the Statements provides details of changes in the Company's issued and outstanding common shares. Note 10 also provides details of the Company's Bid. During 2010, 343,400 common shares were repurchased and cancelled under the Company's Bid at a cost of $2,569,000 (an average price of $7.48 per common share). At the date of this MD&A, March 1, 2011, 8,979,868 common shares were outstanding.

Details of the Company's stock option plans are set out in note 10(e) to the Statements. During 2010, the remaining 42,000 options expired without exercise and, at December 31, 2010, no options were outstanding.

Retained earnings increased by $3,304,000 in 2010 to $47,087,000 at December 31, 2010 compared to $43,783,000 at December 31, 2009. The increase in 2010 comprised net earnings of $8,255,000, less dividends paid of $2,634,000 (28 cents per common share) and premium paid on the shares repurchased under the Bid of $2,317,000. 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 accumulated loss was $9,211,000 at December 31, 2010 compared to $7,379,000 at December 31, 2009. Please refer to note 17 to the Statements. The $1,832,000 increase in loss position in 2010 resulted from the decline in the value of the U.S. dollar against the Canadian dollar during the year. The U.S. dollar declined from $1.051 at December 31, 2009 to $0.995 at December 31, 2010. This reduced the Canadian dollar equivalent of the Company's net investment in its U.S. subsidiary of approximately US$34 million by $1,832,000.

Liquidity and Capital Resources

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

The Company 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 for the last three years as percentages in Table 2. As noted above, the ratios at December 31, 2010 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 $100

Contractual Obligations and Commitments at December 31, 2010

(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	$ 322	$ 366	$ 241	$ 144	**$ 1,073**
Purchase obligations	75	26	—	—	**101**
	$ 397	$ 392	$ 241	$ 144	**$ 1,174**

million at December 31, 2010 and had borrowed $45 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 $4,541,000 at December 31, 2010, an increase of $4,202,000 compared to $339,000 at December 31, 2009. As far as possible, cash on hand is maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Fiscal 2010 Cash Flows: *Year ended December 31, 2010 compared with year ended December 31, 2009*

Cash inflow from net earnings before changes in operating assets and liabilities totalled $9,499,000 in 2010 compared with $3,083,000 last year. After changes in operating assets and liabilities are taken into account, there was a net cash outflow from operating activities of $2,402,000 in 2010 compared with a net cash inflow of $2,956,000 last year. The net cash outflow in 2010 principally resulted from funding Loans of almost $15 million, while the net cash inflow in 2009 principally resulted from net earnings.

Net cash outflows from investing activities, namely, net capital additions, were not significant in 2010 and 2009.

Net cash inflow from financing activities totalled $6,733,000 in 2010 compared to a net cash outflow of $2,954,000 last year. In 2010, bank indebtedness increased by $8,508,000, while $913,000 of notes payable, net, were issued. Partly offsetting these inflows, were dividend payments totalling $2,634,000 and the repurchase of common shares under the Bid at a cost of $54,000. In 2009, net cash outflow from financing activities totalled $2,954,000. Dividends totalling $2,450,000 were paid, $1,615,000 of notes payable, net, were redeemed, while common shares were repurchased under the Bid at a cost of $455,000. Partly offsetting these outflows was an increase in bank indebtedness of $1,372,000, while $194,000 was received from the issuance of shares pursuant to the exercise of stock options.

The effect of exchange rate changes on cash in 2010 comprised a $49,000 decrease compared to a $570,000 decrease in 2009.

Overall, there was a net cash inflow of $4,202,000 in 2010 compared to a net cash outflow of $654,000 in 2009.

Related Party Transactions

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand and bear interest at the bank prime rate less one half of one percent per annum, which is below the rate of interest charged by the Company's banks. Notes payable at December 31, 2010 increased by $888,000 to $10,142,000 compared with $9,254,000 at December 31, 2009. Of these notes payable, $8,158,000 (2009 - $7,696,000) was owing to related parties and $1,984,000 (2009 - $1,558,000) to third parties. Interest expense on these notes totalled $210,000 in 2010 compared to $189,000 last year.

Long-term Relationships: At Accord, we build long-term relationships with clients by listening, understanding and being committed to their business and customers. Our management, staff, and partners also tend to be long-term members of the Accord team. Accord partners with the best and most respected industry-specific trade and credit bureaus and associations around the globe to position Accord for world-class service.

Financial Instruments

All financial assets and liabilities, with the exception of cash, derivative financial instruments and the allowance for losses on the guarantee of managed receivables, are recorded at amortized cost. All other financial assets and liabilities are recorded at fair value.

As at December 31, 2010, the Company had an outstanding forward foreign exchange contract with a financial institution that must be exercised between April 1, 2011 and April 29, 2011 and which obliges the Company to sell Canadian dollars and buy US$1,000,000 at an exchange rate of 1.0056. This contract was entered into by the Company on behalf of a client and a similar forward foreign exchange contract was entered into between the Company and the client, thereby offsetting most risks to the Company. These 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 estimated losses thereon. The allowances are based upon several considerations including current economic environment, condition of the loan and receivable portfolios and typical industry loss experience. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency.

   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 when a debtor 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 expected from the insolvent customer's estate.

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

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

Future Changes in Accounting Policies

Transition to International Financial Reporting Standards ("IFRS")

Canadian public companies will prepare their financial statements in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Company adopted IFRS as the basis for preparing its consolidated financial statements and will issue its financial results for the quarter ended March 31, 2011 prepared on an IFRS basis. The Company will also provide comparative financial information on an IFRS basis, including an opening balance sheet at January 1, 2010.

The Company has prepared its opening statement of financial position at January 1, 2010, which is being audited by the Company's auditors. There will be no material changes in the Company's significant accounting policies, internal controls or business practices upon adoption of IFRS. There will, however, be changes in the financial statement presentation and note disclosure requirements as stipulated by IFRS.

The Company has elected to reset its accumulated other comprehensive loss account to zero upon adoption of IFRS, with a corresponding debit to retained earnings. The impact of this election will be to retrospectively reduce retained earnings by $7,378,890 on January 1, 2010, being the debit balance of the accumulated other comprehensive loss account at that date.

The Company will not be affected by any changes in the Company's financial reporting obligations under contractual arrangements or financial covenants. Moreover, the Company does not envisage any significant change in its internal control over financial reporting and its disclosure controls and procedures upon adoption of IFRS.

The Company will continue to review new International Accounting Standards that are introduced in the future to determine their impacts on the Company.

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, 2010 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 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, 2010 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

Superior Client Service: Accord's clients deal with decision-makers for credit and funding, using fast, simple and reliable procedures. Accord looks after credit investigations, record-keeping and collections. Our clients appreciate our high level of service, attention to detail and how we simplify doing business.

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.

Economic slowdown

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

Credit risk

The Company is in the business of factoring its clients' receivables and making asset-based loans. The Company's portfolio totalled approximately $258 million at December 31, 2010. 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 (impacting interest revenue) and lenders (impacting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to some degree. However, as the Company's floating rate Loans substantially exceed its borrowings, the Company is exposed to some degree to interest rate fluctuations. Please refer to note 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 large loss position. Please refer to note 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. Although it will be difficult to repeat the record levels of business achieved in 2010, the Company hopes to start 2011 out strongly. Funds employed in our recourse factoring business are at almost record levels, while our non-recourse subsidiary continues to benefit from strong demand for its credit guarantee services in the current economic climate. However, increased competition for new business is being encountered in our recourse factoring operation, particularly in the U.S., while our non-recourse factoring business is seeing renewed competition from the credit insurance companies. This competition may lead to some client losses and rate compression. Accordingly, 2011 will likely be a year of challenges; however, Accord is confident that it will ultimately prevail.

Accord, with its substantial capital and borrowing capacity, is well positioned to capitalize on 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
Chief Financial Officer
March 1, 2011

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. Receivables turnover

We try to minimize risk by turning our receivables in as few days as possible. During 2010 the receivables turnover decreased to 44 days. It was approximately 50 days in each of the prior two years.

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 10.5%. At December 31, 2010, the percentage was 10.5%.

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 1.1% and 1.6%, and was 1.1% at Dec. 31, 2010.

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 276% at Dec. 31, 2010, the highest level in the last three years as net charge-offs decreased significantly.

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 of volume. The figure in 2010 at 5 basis points was the lowest in the last three years.

Ten Year Financial Summary 2001-2010

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	**2010**
Factoring volume	$ 1,253	1,366	1,439	1,489	1,424	1,417	1,497	1,596	1,748	**2,120**
Revenue	$ 28,197	26,235	26,214	27,418	26,230	28,864	28,346	28,060	24,045	**31,406**
Interest	1,569	757	773	1,225	1,762	2,391	2,992	2,871	1,180	**1,730**
General and administrative	14,422	14,324	14,175	13,760	14,892	13,290	13,143	13,491	13,290	**14,662**
Provision for credit and loan losses	6,754	1,189	1,231	422	1,074	1,961	2,402	3,849	3,648	**1,325**
Impairment of assets held for sale	—	—	—	—	—	—	—	—	1,265	**1,237**
Depreciation and amortization	828	408	418	416	338	322	209	195	181	**159**
Provision for settlement of claim	—	2,339	712	—	—	—	—	—	—	**—**
Total expenses	23,573	19,017	17,309	15,823	18,066	17,964	18,746	20,406	19,564	**19,113**
Earnings before income tax expense	4,624	7,218	8,905	11,595	8,164	10,900	9,600	7,654	4,481	**12,293**
Income tax expense	1,705	2,569	3,066	3,971	2,861	3,783	3,313	2,613	1,392	**4,038**
Earnings before extraordinary gain	2,919	4,649	5,839	7,624	5,303	7,117	6,287	5,041	3,089	**8,255**
Extraordinary gain	—	—	—	—	907	—	—	—	—	**—**
Net earnings	$ 2,919	4,649	5,839	7,624	6,210	7,117	6,287	5,041	3,089	**8,255**
Earnings per common share:										
Basic	$ 0.31	0.49	0.61	0.78	0.63	0.73	0.66	0.53	0.33	**0.88**
Diluted	0.30	0.49	0.61	0.76	0.62	0.72	0.66	0.53	0.33	**0.88**
Dividends per common share	$ 0.14	0.14	0.16	1.68	0.18	0.20	0.22	0.24	0.26	**0.28**
Factored receivables and loans	$ 63,075	64,882	69,479	71,136	84,270	79,863	103,940	99,990	89,907	**102,313**
Other assets	4,807	7,186	6,005	2,909	5,834	4,816	3,193	3,508	8,030	**10,625**
Total assets	$ 67,882	72,068	75,484	74,045	90,104	84,679	107,133	103,498	97,937	**112,938**
Bank indebtedness	$ 11,732	10,298	20,045	15,608	32,592	26,687	48,207	35,877	36,798	**44,596**
Due to clients	7,932	6,783	4,309	5,532	5,092	4,227	4,897	4,588	4,517	**5,113**
Accounts payable and other liabilities	2,553	5,952	2,932	5,227	5,565	3,940	4,459	3,081	3,267	**7,688**
Deferred income	937	956	916	908	992	913	806	829	746	**824**
Notes payable	2,119	2,451	2,482	11,778	7,298	9,195	9,567	10,944	9,254	**10,142**
Total liabilities	25,273	26,440	30,684	39,053	51,539	44,962	67,936	55,319	54,582	**68,363**
Shareholders' equity	42,609	45,628	44,800	34,992	38,565	39,717	39,197	48,179	43,355	**44,475**
Total liabilities and equity	$ 67,882	72,068	75,484	74,045	90,104	84,679	107,133	103,498	97,937	**112,938**
Shares outstanding at Dec. 31	# 9,503	9,513	9,650	9,876	9,930	9,443	9,454	9,438	9,409	**9,066**
Book value per share at Dec. 31	$ 4.48	4.80	4.64	3.54	3.88	4.21	4.15	5.10	4.61	**4.92**
Share price - high	$ 6.65	5.85	7.55	11.25	8.80	8.25	9.45	8.39	6.70	**8.14**
- low	4.56	4.80	4.95	6.50	6.70	7.00	7.72	4.75	5.25	**5.25**
- close at Dec. 31	5.10	5.05	7.05	8.75	7.05	7.75	8.00	5.81	5.25	**7.50**
Return on equity (as a percentage)	7.0	10.6	13.2	19.1	16.8	18.3	16.0	11.7	6.7	**18.2**

Financial Strength: A reliable service provider with a strong balance sheet, Accord offers an array of financial services including factoring, financing, flexible credit guarantees, receivables purchase programs and management services, and asset-based lending up to $10 million. By helping businesses manage cash flow and maximize financial opportunities, Accord keeps businesses liquid and improves their financial well-being.

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 the 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 oversees strategic planning initiatives, 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 that survey which were acted upon by the Board. The next self-assessment evaluation is expected to be in late 2011.

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 2010 there were four meetings of the Board. Details of director attendances at these meetings are set out in the Company's Management Proxy Circular (the "Circular") dated March 22, 2011, which was mailed to shareholders with this Annual Report and is also filed under the Company's profile with SEDAR at www.sedar.com. There was an "in camera" session at each of the four Board meetings in which non-executive directors met without management.

Composition of the Board

The Board currently comprises six persons and is chaired by Mr. Ken Hitzig. The biographies of these directors, all of whom are standing for re-election at the May 4, 2011 Annual Meeting, are set out in the Circular. Of the current Board, four directors are considered to be independent, since their respective relationships with the Company are independent of management and free from any interest or business which could reasonably be perceived to materially interfere with or compromise each director's ability to act independently in 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. 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. 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 review and 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 from discussions with members of the Board, senior management and other outside sources. 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. Compensation paid to each of the Company's directors in 2010 is set out in the Circular.

Given that there have only been five new directors of the Company in the past ten years, most 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 Credit Committees are comprised of

independent directors, which helps ensure objectivity in matters where management's influence could be prevalent, while the Compensation Committee is comprised of a majority of independent directors.

The Audit Committee is currently composed of Mr. Ben Evans, Chairman, Mr. Robert Beutel and Mr. Stephen Warden. Each member of the Audit Committee is financially literate, that is, they are able to read and understand fundamental financial statements. The Charter of the Audit Committee sets out the Committee's responsibilities which include reviewing quarterly and annual financial statements and MD&A and related press releases before they are approved by the Board; making recommendations to the Board regarding the appointment of independent auditors and assuring their independence; meeting with the Company's management at least quarterly; reviewing annual audit findings with the auditors and management; and reviewing the risks faced by the Company, the business environment, the emergence of new opportunities, and the steps management has taken to mitigate exposure to significant risks. During 2010 there were four meetings of the Audit Committee, member attendances at which are set out in the Circular.

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 any 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 each 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. Robert Beutel, Mr. Ken Hitzig and Mr. Stephen Warden. 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 Company's 2010 Compensation Discussion and Analysis report to shareholders is included in the Circular. During 2010 there were three meetings of the Compensation Committee, member attendances at which are set out in the Circular.

The Board's Credit Committee is currently composed of Messrs. Robert Beutel, Ben Evans and Robert Sandler. 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.

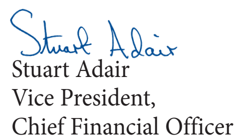
Management's Report to the Shareholders

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 three 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 consideration of its internal controls.


Stuart Adair
Vice President,
Chief Financial Officer

Toronto, Canada
March 1, 2011

Independent Auditors' Report to the Shareholders

We have audited the accompanying consolidated financial statements of Accord Financial Corp., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of earnings, comprehensive income or loss, retained earnings and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

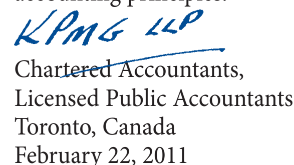
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Accord Financial Corp. as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants,
Licensed Public Accountants
Toronto, Canada
February 22, 2011

Consolidated Balance Sheets

At December 31	2010	2009
Assets		
Factored receivables and loans, net (note 4)	**$ 102,313,077**	$ 89,906,633
Assets held for sale (note 5)	**3,481,686**	4,996,716
Cash	**4,541,155**	339,267
Other assets	**148,433**	302,742
Income taxes receivable	**—**	284,886
Future income taxes, net (note 12)	**1,058,636**	576,375
Capital assets (note 6)	**438,547**	520,129
Goodwill (note 7)	**956,503**	1,010,744
	$ 112,938,037	$ 97,937,492
Liabilities		
Bank indebtedness (note 8)	**$ 44,595,863**	$ 36,798,397
Due to clients	**5,113,304**	4,517,282
Accounts payable and other liabilities	**6,446,271**	3,266,477
Income taxes payable	**1,241,599**	—
Deferred income	**824,120**	746,273
Notes payable (note 9)	**10,141,916**	9,253,501
	68,363,073	54,581,930
Shareholders' equity		
Capital stock (note 10)	**6,656,345**	6,908,481
Contributed surplus (note 10(d))	**42,840**	42,840
Retained earnings	**47,086,633**	43,783,131
Accumulated other comprehensive loss (note 17)	**(9,210,854)**	(7,378,890)
	44,574,964	43,355,562
Commitments and contingencies (notes 4, 14, 15 and 16)		
	$ 112,938,037	$ 97,937,492
Common shares outstanding (note 10)	**9,065,571**	9,408,971

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	2010	2009
Revenue		
Factoring commissions, discounts, interest and other income	$ 31,406,451	$ 24,045,288
Expenses		
Interest	1,730,307	1,180,185
General and administrative	14,662,064	13,290,213
Provision for credit and loan losses	1,325,529	3,647,849
Impairment of assets held for sale (note 5)	1,237,180	1,265,280
Depreciation	158,572	181,148
	19,113,652	19,564,675
Earnings before income tax expense	12,292,799	4,480,613
Income tax expense (note 12)	4,038,000	1,392,000
Net earnings	$ 8,254,799	$ 3,088,613
Earnings per common share (note 13)		
Basic	$ 0.88	$ 0.33
Diluted	0.88	0.33
Weighted average number of common shares (note 13)		
Basic	9,387,723	9,420,390
Diluted	9,387,723	9,424,384

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31	2010	2009
Net earnings	$ 8,254,799	$ 3,088,613
Other comprehensive loss:		
unrealized loss on translation of self-sustaining foreign operation	(1,831,964)	(5,200,822)
Comprehensive income (loss)	$ 6,422,835	$ (2,112,209)

Consolidated Statements of Retained Earnings

Years ended December 31	2010	2009
Retained earnings at January 1	$ 43,783,131	$ 43,543,490
Net earnings	8,254,799	3,088,613
Dividends paid	(2,634,272)	(2,449,986)
Premium on shares repurchased for cancellation (note 10(c))	(2,317,025)	(398,986)
Retained earnings at December 31	$ 47,086,633	$ 43,783,131

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31	2010	2009
Cash (used in) provided by		
Operating activities		
Net earnings	$ 8,254,799	$ 3,088,613
Items not involving cash		
Allowances for losses, net of charge-offs and recoveries	288,257	(985,311)
Impairment of assets held for sale	1,237,180	1,265,280
Deferred income	86,348	(64,598)
Depreciation	158,572	181,148
Loss on disposal of capital assets	—	10,612
Future income tax recovery	(526,626)	(412,644)
	9,498,530	3,083,100
Changes in operating assets and liabilities		
Factored receivables and loans, gross	(14,741,704)	856,196
Due to clients	648,884	15,993
Income taxes payable / receivable	1,527,803	37,266
Other assets	150,111	(47,436)
Accounts payable and other liabilities	702,400	(853,046)
Addition to assets held for sale	(225,162)	(209,264)
Sale of assets held for sale	37,158	73,049
	(2,401,980)	2,955,858
Investing activities		
Additions to capital assets, net	(79,875)	(85,886)
Financing activities		
Bank indebtedness	8,507,916	1,372,220
Notes payable issued (redeemed), net	913,335	(1,615,247)
Issuance of shares	—	193,550
Repurchase and cancellation of shares	(54,218)	(455,021)
Dividends paid	(2,634,272)	(2,449,986)
	6,732,761	(2,954,484)
Effect of exchange rate changes on cash	(49,018)	(569,944)
Increase (decrease) in cash	4,201,888	(654,456)
Cash at January 1	339,267	993,723
Cash at December 31	$ 4,541,155	$ 339,267
Supplemental cash flow information		
Interest paid	$ 1,613,338	$ 958,454
Income taxes paid	3,188,722	2,301,506

See accompanying notes to consolidated financial statements.

1. Description of the business

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

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") and Accord Financial Inc. ("AFIC") in Canada and Accord Financial, Inc. ("AFIU") in the United States. Intercompany balances and transactions are eliminated upon consolidation.

(b) Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting 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. In its recourse factoring business, 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 and factored receivables 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 or loss.

(i) Foreign currency translation

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

(j) Earnings per common share

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

(k) Stock-based compensation

The Company accounts for stock options issued to directors and employees using a fair value based method, while it uses an intrinsic value based method to value its outstanding share appreciation rights ("SARs").

(l) Derivative financial instruments

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

(m) Financial assets and liabilities

Financial assets and liabilities, other than cash, derivative financial instruments and the allowance for losses on the guarantee of managed receivables, are recorded at amortized cost. Financial assets and liabilities not measured at amortized cost are recorded at fair value.

(n) Assets held for sale

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

(o) Prior year 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 - Disclosure, to expand disclosure 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 introduced 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

	2010	2009
Factored receivables	$ 86,910,839	$ 73,832,506
Loans to clients	17,131,238	17,602,127
Factored receivables and loans, gross	104,042,077	91,434,633
Less allowance for losses	1,729,000	1,528,000
Factored receivables and loans, net	$ 102,313,077	$ 89,906,633

The Company's allowance for losses on factored receivables and loans at December 31, 2010 and 2009 comprised only a general allowance. The activity in the allowance for losses on factored receivables and loans account during 2010 and 2009 was as follows:

	2010	2009
Allowance for losses at January 1	$ 1,528,000	$ 2,987,000
Provision for credit and loan losses	775,381	2,564,705
Charge-offs	(719,583)	(4,823,689)
Recoveries	183,459	870,674
Foreign exchange adjustment	(38,257)	(70,690)
Allowance for losses at December 31	$ 1,729,000	$ 1,528,000

The Company has entered into agreements with clients, whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At December 31, 2010, the gross amount of these managed receivables was $153,861,477 (2009 - $155,359,571). At that date, management provided an amount of $1,138,000 (2009 - $1,089,000) 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 2010 and 2009 was as follows:

	2010	2009
Allowance for losses at January 1	$ 1,089,000	$ 686,000
Provision for credit losses	550,148	1,083,144
Charge-offs	(568,021)	(743,262)
Recoveries	66,873	63,118
Allowance for losses at December 31	$ 1,138,000	$ 1,089,000

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 was included in the provision for credit and loan losses for 2009. Later in 2009, 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. An impairment charge of $1,237,180 was also taken in 2010 as the net realizable value of these assets had declined further. During 2010, assets held for sale totalling $241,879 (2009 - $73,049) were disposed of, while there was a $225,162 (2009 - $209,264) addition to these assets.

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, 2010 and 2009 were estimated based upon professional appraisals of the assets.

6. Capital assets

	2010	2009
Cost	$ 2,528,954	$ 2,624,921
Less accumulated depreciation	2,090,407	2,104,792
	$ 438,547	$ 520,129

7. Goodwill

Goodwill is tested for impairment annually or more frequently if impairment indicators arise. During 2010 and 2009, the Company conducted annual impairment reviews and determined there was no impairment to the carrying value of goodwill. The goodwill is carried in the Company's U.S. operations and the change in the goodwill balance in 2010 relates to the translation of the 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, 2010, the amounts outstanding under these lines of credit totalled $44,595,863 (2009 - $36,798,397). The Company was in compliance with the loan covenants under these lines of credit at December 31, 2010 and 2009.

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:

	2010		2009	
	Notes payable	Interest expense	Notes payable	Interest expense
Related parties	**$ 8,157,537**	**$ 170,161**	$ 7,695,372	$ 161,371
Third parties	**1,984,379**	**39,549**	1,558,129	28,091
	$10,141,916	**$ 209,710**	$ 9,253,501	$ 189,462

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 Company's Board of Directors ("Board"). At December 31, 2010 and 2009, 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, 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 (note 10(d))	—	39,385
Balance at Jan. 1, 2010	**9,408,971**	**$ 6,908,481**
Shares repurchased for cancellation	**(343,400)**	**(252,136)**
Balance at Dec. 31, 2010	**9,065,571**	**$ 6,656,345**

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

(c) Share repurchase program

On August 5, 2008, the Company received approval from the Toronto Stock Exchange ("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 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 terminated on August 7, 2010. Under the 2009 Bid, the Company repurchased and cancelled 15,100 shares at an average price of $5.32 per share for total consideration of $80,591. This amount was applied to reduce share capital by $11,063 and retained earnings by $69,528.

On August 5, 2010, the Company received approval from the TSX to commence a new normal course

issuer bid (the "2010 Bid") for up to 470,373 of its common shares at prevailing market prices on the TSX. The 2010 Bid commenced on August 8, 2010 and will terminate on August 7, 2011 or the date on which a total of 470,373 common shares have been repurchased pursuant to its terms. All shares repurchased pursuant to the 2010 Bid will be cancelled. During the year ended December 31, 2010, the Company repurchased and cancelled 341,700 common shares acquired under the 2010 Bid at an average price of $7.49 per common share for total consideration of $2,559,188. This amount was applied to reduce share capital by $250,891 and retained earnings by $2,308,297.

During the year ended December 31, 2010, the Company repurchased and cancelled 343,400 common shares acquired under the 2009 and 2010 Bids at an average price of $7.48 per common share for total consideration of $2,569,161. This amount was applied to reduce share capital by $252,136 and retained earnings by $2,317,025. 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.

(d) Contributed surplus

	2010	2009
Balance at January 1	$ 42,840	$ 82,225
Transfer to capital stock (note 10(b))	—	(39,385)
Balance at December 31	$ 42,840	$ 42,840

(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, these options vest over a period of three years provided certain minimum earnings criteria is met.

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

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 2010, the remaining 42,000 outstanding options expired without exercise. The following is a summary of stock option activity:

	2010	2009
Outstanding at Jan. 1	42,000	91,000
Exercised	—	(49,000)
Expired	(42,000)	—
Outstanding at Dec. 31	—	42,000

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

Exercise price	Expiry date	2010	2009
Employee stock option plan:			
$ 7.25	July 5, 20	—	42,000

(f) Share appreciation rights

The Company has established a SARs plan, whereby SARs are granted to directors and key managerial employees of the Company. The maximum number of SARs which may be granted in any fiscal year under the plan is 2.5% of the total number of issued and outstanding common shares of the Company. 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 days that the shares were traded immediately preceding the date of grant, or other 10 day trading period that the Company's Board may determine. Employees can sell part or all of their SARs after holding them for a minimum of 24 months. Each employee's SARs not sold to the Company will automatically be sold on the last business day on or preceding the fifth anniversary following such grant. Directors have no minimum holding period and can only exercise their SARs within the 90 day period after they cease to be members of the Board, within which period, exercise is compulsory.

During 2010, 155,000 SARs were granted by the Company to directors and employees at a strike price of $5.50, while in 2009 100,000 SARs were granted at a strike price of $6.03. 75,000 (2009 - nil) SARs were exercised by directors during 2010 as

they ceased to be members of the Board. At December 31, 2010, there were 275,000 (2009 - 195,000) SARs outstanding, of which 155,000 (2009 - 112,500) were vested.

11. Stock-based compensation

The Company accounts for stock option grants using a fair value based method, while it uses an intrinsic value based method for its SARs awards. 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. Changes in the intrinsic value of outstanding SARs are calculated at each balance sheet date and are recorded in general and administrative expenses over the awards vesting period, or immediately if fully vested. The Company recorded a stock-based compensation expense of $333,006 in respect of SARs in 2010 (2009 - nil).

12. Income taxes

The Company's income tax expense comprises:

	2010	2009
Current income tax expense	**$ 4,566,819**	$ 1,804,644
Future income tax recovery	**(528,819)**	(412,644)
Income tax expense	**$ 4,038,000**	$ 1,392,000

The Company's income tax expense varies from the amount that would be computed using the Canadian statutory income tax rate of 31.0% (2009 - 33.0%) due to the following:

	2010	**%**
Income taxes computed at statutory rates	**$ 3,810,768**	**31.0**
Increase resulting from:		
Higher effective tax rate on income of subsidiaries	**172,243**	**1.4**
Other	**54,989**	**0.4**
Income tax expense	**$ 4,038,000**	**32.8**

	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

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

	2010	2009
Future income tax assets:		
Impairment of assets held for sale	**$ 890,266**	$ 470,428
Allowances for losses	**306,771**	274,356
SARs liability	**76,753**	—
Capital assets	**—**	9,000
	1,273,790	753,784
Future income tax liabilities:		
Goodwill	**(187,880)**	(172,259)
Capital assets	**(4,000)**	—
Other	**(23,274)**	(5,150)
	(215,154)	(177,409)
Future income taxes, net	**$1,058,636**	$ 576,375

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, consisted solely of stock options.

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

	2010	2009
Basic weighted average number of common shares outstanding	**9,387,723**	9,420,390
Effect of dilutive stock options	**—**	3,994
Diluted weighted average number of common shares outstanding	**9,387,723**	9,424,384

Certain options were excluded from the calculation of diluted shares outstanding in 2010 and 2009 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, 2010, the Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $1,127,947 (2009 - $858,553). 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:

2011	**$ 321,683**
2012	**242,190**
2013	**124,453**
2014	**124,454**
2015	**117,010**
Thereafter	**143,647**
	$ 1,073,437

16. Derivative Financial instruments

As at December 31, 2010, the Company had entered into a forward foreign exchange contract with a financial institution, which must be exercised by the Company between April 1, 2011 and April 29, 2011 and which obligates the Company to sell Canadian dollars and buy US$1,000,000 at an exchange rate of 1.0056. This contract was entered into by the Company on behalf of a client and a similar forward foreign exchange contract was entered into between the Company and the client, whereby the Company will buy Canadian dollars from and sell US$1,000,000 to the client.

As at December 31, 2009, the Company had entered into forward foreign exchange contracts with a financial institution that matured between January 4, 2010 and May 28, 2010 and obliged 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 the above contracts were recorded on the Company's consolidated balance sheets in other assets and accounts payable and other liabilities, respectively. The contracts have all been classified as Level 2.

17. Accumulated other comprehensive loss

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

	2010	2009
Balance at January 1	**$ (7,378,890)**	$ (2,178,068)
Unrealized loss on translation of self-sustaining foreign operation	**(1,831,964)**	(5,200,822)
Balance at December 31	**$ (9,210,854)**	$ (7,378,890)

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 and managed receivables represents the Company's maximum credit exposure and is the most significant measurable risk that it faces. The nature of the Company's factoring and asset-based lending business involves funding or assuming credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. Typically, the

Company takes title to the factored receivables and collateral security over the other assets that it lends against and does not lend on an unsecured basis. It does not take title to the managed receivables as it does not lend against them, but it assumes the credit risk from the client in respect of these receivables.

Credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1,000,000, 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 independent members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has 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 default 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, 10.5% (2009 - 8.2%) were past due more than 60 days at December 31, 2010. In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

The Company employs a client risk rating system to assess credit risk in its recourse factoring business, which identifies, amongst other things, the financial strength of each client and the Company's underlying security, principally its clients' receivables, while in its non-recourse factoring business it employs a customer credit scoring system to assess the credit risk associated with those client receivables that it guarantees (namely, the managed receivables). Credit risk is primarily managed by ensuring that the receivables factored are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. The Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. For a factoring company, the financial strength of its clients' customers is often more important than the financial strength of the clients themselves. The Company also minimizes credit risk by limiting to $10,000,000 the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, and charging back or making receivables ineligible for lending purposes as they become older. The Company will also confirm the validity of the receivables that it purchases. In its non-recourse factoring business, exposure to certain customers upon which credit guarantees have been granted may exceed $10,000,000. All customer credit in excess of $2,500,000 is approved by the Company's Credit Committee on a case-by-case basis. At December 31, 2010, the Company had guaranteed accounts receivable in excess of $10,000,000 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, 2010:

Industrial sector	Gross factored receivables and loans	% of total
(in thousands)		
Manufacturing	$ 50,071	48
Wholesale and distribution	18,900	18
Financial and professional services	16,905	16
Transportation	12,342	12
Other	5,824	6
	$ 104,042	100

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

Industrial sector	Managed receivables	% of total
(in thousands)		
Retail	$ 145,060	94
Other	8,801	6
	$ 153,861	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 $100,000,000 have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. At December 31, 2010, the Company had borrowed $44,596,000 (2009 - $36,798,000) against these facilities (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, 2010 and 2009. Notes payable (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, 2010, 80% (2009 - 83%) of these notes were due to related parties and 20% (2009 - 17%) to third parties. Due to clients principally consists of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a few days of receipt. Accounts payable and other liabilities comprise a number of different obligations, the majority of which are payable within six months.

The Company had gross factored receivables and loans totalling $104,042,000 at December 31, 2010 (2009 - $91,435,000), which substantially exceeded its total liabilities of $68,363,000 (2009 - $54,582,000) 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$34,000,000 at December 31, 2010 (2009 - $31,000,000). The Company's investment in its U.S. subsidiary is not hedged as it is long-term in nature. Unrealized foreign exchange gains or losses arise on 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 (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 for the year ended December 31, 2010, a one cent change in the U.S. dollar against the Canadian dollar would change the Company's annual net earnings by approximately $31,000 (2009 - $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 $340,000 (2009 - $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, 2010, the Company's unhedged foreign currency positions in its Canadian operations totalled $176,000 (2009 - $460,000). 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 (impacting interest revenue) and lenders (impacting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to a large degree. However, as the Company's factored receivables and loans substantially exceed its borrowings, the Company is exposed to interest rate risk as a result of the difference, or gap, between interest-sensitive assets and liabilities. This gap largely exists because of, and fluctuates with, the quantum of the Company's shareholders' equity.

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

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	Non-rate sensitive	Total
Assets					
Factored receivables and loans, net	$100,112	$ —	$ 2,238	$ (37)	$102,313
Assets held for sale	—	—	—	3,482	3,482
Cash	4,364	—	—	177	4,541
All other assets	—	—	—	2,602	2,602
	104,476	—	2,238	6,224	112,938
Liabilities					
Bank indebtedness	32,362	12,234	—	—	44,596
Due to clients	—	—	—	5,113	5,113
Notes payable	10,142	—	—	—	10,142
All other liabilities	2,515	1,284	—	4,713	8,512
Shareholders' equity	—	—	—	44,575	44,575
	45,019	13,518	—	54,401	112,938
	$ 59,457	$ (13,518)	$ 2,238	$ (48,177)	$ —

Based on the Company's interest rate positions as at December 31, 2010, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $460,000 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 management

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, these ratios totalled 39% (2009 - 44%) and 123% (2009 - 106%), respectively, at December 31, 2010 indicating the Company's continued financial strength and overall low degree of leverage. The Company's debt, and leverage, will usually rise with an increase in factored receivables and loans and vice versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, 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$18,000,000 and a ratio of total liabilities to TNW of less than 3.0. The Company was fully compliant with these covenants at December 31, 2010 and 2009. There were no changes in the Company's approach to capital management from the previous year.

21. 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 balance sheet has been determined by management to not be material. While there will not be any substantial changes in the Company's accounting policies, internal controls, or business practices, a change relating to the measurement of its SARs liability will take place. The Company will also elect to reset its accumulated other comprehensive loss account to zero upon adoption of IFRS. The Company will review new International Accounting Standards that are introduced in the future to determine if they have any impact on the Company.

22. 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.

2010 (in thousands)	**Canada**	**United States**	**Inter-company**	**Consolidated**
Identifiable assets	**$ 63,778**	**$ 49,160**	**$ —**	**$112,938**
Revenue	**$ 20,699**	**$ 10,707**	**$ —**	**$ 31,406**
Expenses				
Interest	**1,415**	**315**	**—**	**1,730**
General and administrative	**11,152**	**3,510**	**—**	**14,662**
Provision for credit and loan losses	**765**	**561**	**—**	**1,326**
Impairment of assets held for sale	**—**	**1,237**	**—**	**1,237**
Depreciation	**141**	**17**	**—**	**158**
	13,473	**5,640**	**—**	**19,113**
Earnings before income tax expense	**7,226**	**5,067**	**—**	**12,293**
Income tax expense	**2,204**	**1,834**	**—**	**4,038**
Net earnings	**$ 5,022**	**$ 3,233**	**$ —**	**$ 8,255**

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

Annual Meeting

The Annual Meeting of Shareholders
will be held
Wednesday, May 4th, 2011
at 4:15 pm at
The Toronto Board of Trade,
First Canadian Place,
Toronto, Ontario

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Corporate Information

Board of Directors

Ken Hitzig, Toronto, Ontario [2]

Robert J. Beutel, Toronto, Ontario [1, 2, 3]

Ben Evans, Stamford, Connecticut [1, 3]

Tom Henderson, Greenville, South Carolina

Robert S. Sandler, White Plains, New York [3]

Stephen D. Warden, Oakville, Ontario [1, 2]

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

Officers

Ken Hitzig, Chairman of the Board

Tom Henderson, President & CEO

Stuart Adair, Vice President,
Chief Financial Officer

Jim Bates, Secretary

Robert J. Beutel, Assistant Secretary

Fred Moss, Vice President

Mark Perna, Vice President

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

The Bank of Nova Scotia

Branch Banking and Trust

The Toronto-Dominion Bank

Canadian Imperial Bank of Commerce

Stock Exchange Listing

Toronto Stock Exchange Symbol: ACD

Registrar & Transfer Agent

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