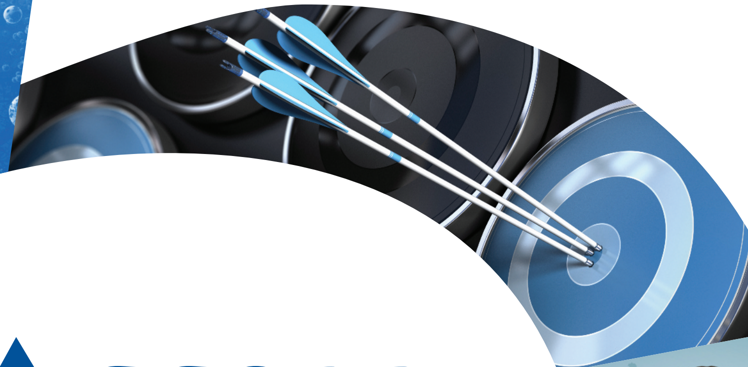
ANNUAL REPORT 2013

Thirty-five Years of Keeping Business Liquid



ACCORD FINANCIAL

Keeping Business Liquid

1978 - 2013 · 35 YEARS · KEEPING BUSINESS LIQUID

Thirty-five Years of *Keeping Business Liquid*

This year Accord Financial Corp. celebrated 35 years of keeping business liquid. For 35 years, Accord has focused on servicing its clients, attracting and retaining outstanding management and staff, developing new markets and international presence, improving operational effectiveness, creating and capitalizing on business opportunities and further enhancing stakeholder value. We are proud of our maturity and pedigree.

In this report, Management's Roundtable discusses Accord's history, future opportunities, events and results of 2013. In addition, the Chairman's Letter to the Shareholders, Message from the President and CEO, Management's Discussion and Analysis and Consolidated Financial Statements, and notes thereto, provide you with further insights into Accord Financial Corp.

Accord is keeping business liquid.

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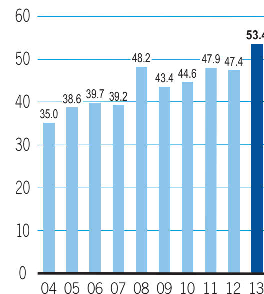
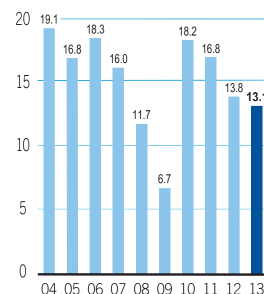


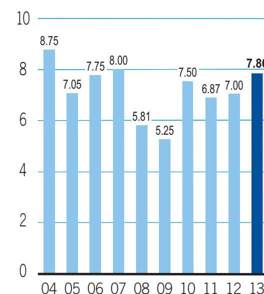
Equity
(in millions of dollars)

Equity increased to a record $53.4 million at December 31, 2013. Book value per share of $6.50 was also a record high.



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

Return on average equity ("ROE") was a reasonable 13.1% in 2013. ROE declined in 2013 despite a rise in net earnings as equity rose at a faster rate.



Share Price
(close at December 31)

Accord's share price closed 2013 at $7.86, up 12% from $7.00 last year-end.

Thirty-five Years of
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A Brief History of Accord

1978 – 1983

- Accord commences operations in 1978 in Toronto and Montreal after raising $2 million in starting capital.
- The first full year of operations (1979) sees factoring volume reach $92 million.
- A rights issue in 1980 brings more capital into the Company to finance growth.
- In 1982 the Company earns $477,000. It would be the first of 32 consecutive years of black ink.

1984 – 1988

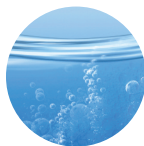
- Accord buys Kerlen Factors Ltd. in 1984, its first acquisition.
- All long-term debt is retired in 1985, well ahead of maturity.
- In 1986 the Canadian factoring business of Heller Financial is acquired.
- 1987 is a big year. Volume tops $612 million, bank debt, incurred in the Heller acquisition, is completely repaid. The Company initiates quarterly dividend payments.
- Accord joins Factors Chain International, the world's largest factoring network, in 1988. Earnings reach a new peak of $1.6 million.

1989 – 1993

- In 1990 the Company acquires U.F. Financial Services Inc.
- New records are set in volume, revenue and earnings in 1991. Shareholders' equity climbs to $8.6 million.
- Accord goes public in 1992 and begins trading at $1.95 per share. The Company acquires majority control of JTA Factoring, now known as Accord Financial, Inc., and 100% of Montcap Financial Corp., now known as Accord Financial Inc.
- Factoring volume reaches a peak of $1.1 billion in 1993.

1994 – 1998

- In 1996 Accord acquires the balance of the shares that it did not own in Accord Financial, Inc. The Company also acquires Skyview International Finance Corp. which specializes in import finance.
- In 1998 the Company celebrates its 20th anniversary with record earnings. Shareholders' equity reaches $27.8 million. The Company acquires the factoring portfolio of Richards Capital Corp., Dallas.



1999 – 2003

- In 1999 Accord forges an alliance with Export Development Canada to promote export factoring.
- Earnings reach a peak of $7.4 million on record revenue of $31 million in 2000.
- Tom Henderson is promoted to CEO of Accord Financial, Inc. in 2001.
- The Company celebrates its 25th anniversary in 2003 as volume hits a new high of $1.4 billion.

2004 – 2008

- Earnings reach a new peak $7.6 million in 2004. A special one-time dividend of $1.50 is paid, putting $14.6 million back into the hands of its shareholders.
- In 2005 the Company acquires iTrade Finance, a specialty company financing international transactions.
- In 2008 Accord's Canadian company marks its 30th anniversary, but the celebrations are muted by a sharp economic downturn. A big increase in the value of the U.S. dollar boosts shareholders' equity to $48.2 million, up from $39.2 million the previous year. In spite of this, Accord's shares fall to $5.81 at year-end from $8.00 a year earlier.

2009 – 2013

- Accord sets record highs in 2010 in revenue ($31.4 million), earnings ($8.3 million) and earnings per share (88 cents).
- In 2012 Accord's U.S. company marks its 35th year in business.
- In 2013 Accord's Canadian company marks its 35th year in business. The Company's dividend payout for 2013 reaches 32 cents per share, marking 26 years of continuous dividends for its shareholders.

Senior Management

Ken Hitzig
Chairman of the Board
Accord Financial Corp.

Ken Hitzig's vision has steered Accord for over three decades. Before founding Accord Financial in 1978, Ken's career began in public accounting, where his focus on commercial finance company clients provided experience, insight and perspective. Accord has thrived under Ken's leadership. He was instrumental in taking Accord public and acquiring two finance companies in Canada and the U.S. in 1992. Ken served as President until 2009 and remains Chairman of the Board, presiding over the Company's major decisions and driving its clients.

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

Tom Henderson's career began with Heller Financial in Chicago, formerly one of the largest finance companies in the world, where he supervised all overseas operations in Asia and Australia. Joining Accord in 1998, his outstanding productivity and people skills led to his elevation as President of our U.S. finance business in 2001, and his appointment as President & CEO of Accord Financial Corp. in 2009.

Stuart Adair
Vice President & CFO
Accord Financial Corp.

Stuart is a chartered accountant with 30 years of finance and accounting experience. He has been Accord's CFO since 2002. Stuart commenced his career with a predecessor of PricewaterhouseCoopers in the United Kingdom, transferring to its Toronto office in 1988. Stuart holds a BA from University of Sheffield, U.K. and an MA in Economics from Queen's University.

Fred Moss
President
Accord Financial Inc.

Fred brings a wealth of experience and expertise in all aspects of the finance industry to his role as President of our Canadian financing business. Formerly President of CAFCO, he founded Montcap Financial Corp. The company was acquired by Accord in 1992 and under Fred's direction became a leader in the Canadian recourse factoring industry. Fred earned a BCom from McGill University and holds a CA designation.

Simon Hitzig
President
Accord Financial Ltd.

Simon brings fifteen years of financial services success to Accord. Prior to joining Accord he held executive positions in marketing, product development and distribution strategy at Goodman & Company Ltd., manager of Dynamic Mutual Funds. His innovative approach was a key ingredient as Dynamic became one of Canada's fastest growing investment companies. Simon is a graduate of York University and holds an MBA from Georgetown University. Simon is President of our receivables management, credit guarantee and collections business.

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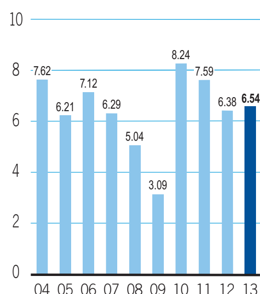
Three Year Financial Highlight Summary

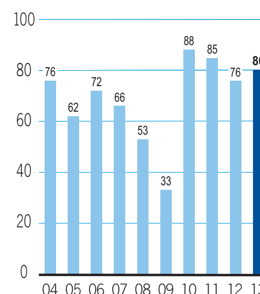
	2013	2012	2011
Operating Data Years ended December 31 (in thousands of dollars except where indicated)			
Factoring volume (in millions)	**$ 1,860**	$ 1,865	$ 1,914
Revenue	**26,074**	25,891	28,408
Net earnings	**6,538**	6,377	7,585
Return on average equity	**13.1%**	13.8%	16.8%
Financial Position Data At December 31 (in thousands of dollars)			
Total assets	**$ 120,809**	$ 124,592	$ 98,492
Equity	**53,430**	47,395	47,855
Common Share Data (per common share)			
Earnings per share - basic and diluted	**$ 0.80**	$ 0.76	$ 0.85
Dividends paid	**0.32**	0.31	0.30
Share price - high	**9.25**	7.15	8.25
- low	**6.84**	6.50	6.50
- close at December 31	**7.86**	7.00	6.87
Book value at December 31	**6.50**	5.76	5.49



Net Earnings

(in millions of dollars)

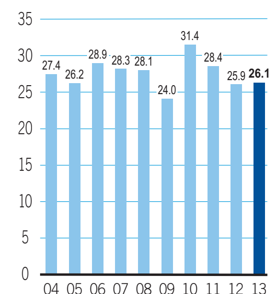
Net earnings came in at $6.54 million in 2013, 3% above the $6.38 million earned in 2012.



Diluted Earnings per Share

(in cents)

Diluted earnings per share were 80 cents in 2013, 5% higher than the 76 cents earned in 2012.



Revenue

(in millions of dollars)

Revenue was $26.1 million in 2013, slightly above last year's $25.9 million.

Chairman's Letter to the Shareholders

In my letter to you a year ago I reported that we were facing severe competition in the U.S. market, the implication being that our American operation would have a tough time duplicating its past success. I underestimated our U.S. management team. Accord Financial's U.S. results were the highest ever, with net earnings (in Canadian dollars) of almost $3.3 million. This accounted for just over half of Accord's total 2013 earnings of $6,538,000. This is the second consecutive year of bottom line growth for our U.S. operation, an increase of over 12 percent compared with 2012.

Operations in Canada were profitable; at $3,250,000 they were $200,000 less than 2012. Towards the end of the third quarter, Accord acquired a portfolio of loans from a competitor, Brome Capital. The newly acquired revenue stream favorably impacted the fourth quarter. Adding to our internal organic growth, this acquisition resulted in an increase in Canadian funds employed of over 30 percent in 2013. The total of $68 million was a record year-end high for our Canadian business.

Total earnings per share for the Company in 2013 were 80 cents compared with 76 cents in 2012. The U.S. dollar exchange rate changed significantly in the second half of the year, ending up at $1.06 Canadian at Dec. 31. Since almost two-thirds of Accord's equity is south of the border, this impacted our balance sheet – in a favorable way. Accord's total equity at year-end was $53.4 million, an increase of $6 million over Dec. 31, 2012. About $2 million of this increase was the result of the stronger U.S. dollar. Book value per share rose to a Company high of $6.50 at year-end versus $5.76 at the end of 2012.

The Company did not renew its normal course issuer bid and no shares were repurchased for cancellation in 2013. There remained 8,221,498 shares outstanding throughout the year. Our shares closed the year at $7.86 in trading on the Toronto Stock Exchange. Our current dividend of 8 cents quarterly provides a yield of 4.1% per annum based on the year-end closing price.

The U.S. economy is slowly, but surely, improving. This provides Accord with the opportunity to build on its results of 2013. The "pipeline" of new deals in Canada and the U.S. is filling up rapidly. As I've stated above, our Canadian business hit new highs in the fourth quarter of 2013, and the momentum should prove very beneficial for 2014.

I must tell you of a very exciting development which unfolded after our year-end. On January 31, 2014 Accord completed the strategic acquisition of Varion Capital Corp., a Canadian lease finance company founded in 2004. This will expand the range of asset-based financial services offered by Accord. Varion finances equipment for small- and medium-sized businesses serving a broad base of Canada's most dynamic industries, from forestry and energy to hospitality and manufacturing. The combined companies, Varion and Accord, will now have a significant operating presence from coast to coast.

Effective Oct. 1, 2013, John J. Swidler, FCA, was appointed to the Company's board of directors. Mr. Swidler has had a distinguished career in the field of public accounting, specializing in mergers and financial restructuring. Mr. Ben Evans, a director since 2000, has advised the

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 our clients for world-class service.

board that he will not be standing for re-election at the Annual Meeting in May. Mr. Evans, who has had a long career as a certified public accountant with a major New York accounting firm, started his relationship with Accord as an advisor to the Company in its very first year. Mr. Robert Beutel, whose family has been financially involved with Accord since the very beginning, will also not be standing for re-election. His brother, David Beutel, will run for election to the board on May 7, 2014.

Finally, with much sadness and sense of loss, we still mourn the passing last May of our great friend and colleague, Peter Wong, who served as a most competent executive in our Montreal office for 35 years. Peter was always a modest but highly inspiring and very dedicated leader in our non-recourse factoring business and we will never forget his passion for the well-being of his colleagues and his love of the factoring business.

My thanks go to our President, Tom Henderson, and his senior managers, all of whom went the extra mile to ensure the success and growth of Accord in 2013. The road ahead will not be smooth, but Accord has some of the most capable people in the industry; I have total confidence that, with their input, Accord will succeed. I'm grateful to our directors and shareholders who gave us continued support. I look forward to seeing you at our Annual Meeting, May 7, 2014.

Ken Hitzig
Chairman of the Board
Toronto, Ontario
February 28, 2014

Accord's Financial Services

Non-recourse factoring

Accord is one of North America's most experienced firms dedicated to providing complete receivables management services. For over 35 years we've served small- and medium-sized businesses (SMEs) with cost-effective, risk-free credit guarantees and collection services. With complete coverage of North America, and strong alliances worldwide, we have the expertise and connections to deliver superior results across all industries.

Recourse factoring

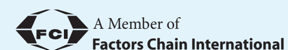
Offered in both the Canadian and U.S. markets, Accord's recourse factoring services focus on small- to medium-sized companies which larger asset-based lenders overlook. Our extensive access to capital positions Accord as a very reliable source of funds at competitive rates. We strive to provide superior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

Asset-based lending

Along with its factoring services, Accord provides financing against assets such as accounts receivable, inventory and equipment.

International trade financing

Since 1978, Accord has been a leader in cross-border trade, simplifying the financing and management of international receivables. Our unique AccordOctet program provides import financing for North American companies sourcing goods anywhere in the world, while our alliance with Factors Chain International facilitates seamless credit and collection services through a network of more than 265 factoring companies in 75 countries worldwide.



Lease financing

Varion Capital Corp. finances equipment for SMEs, serving a broad base of Canada's most dynamic industries, from forestry and energy to hospitality and manufacturing. Varion's success has been built on its commitment to supporting SMEs directly, and on its strong relationships with regional and national equipment vendors. Varion delivers on Accord's strengths, including our flexible approach to financing businesses that may be underserved by the major banks.

Message from the President and CEO

As we start this new year I note that most economists are using the glass half full jargon instead of a glass half empty. As much as I hate to agree with academics I confess to being in a confident mood too; more with regard to Accord's prospects than with the global economy however.

I have more to say about Accord later. The thing with the global economy that causes me to be less jubilant is its vulnerability to violent shocks that can come out of nowhere. These shocks include extreme terrorism, political upheaval and war in the Middle East, collapse of confidence in major currencies, extraordinary acts of nature and the list goes on. The vulnerability stems from the very slow recovery that the global economy is making from the financial crisis of six years ago. We are not yet on a strong footing anywhere and unexpected shocks can shake an economy that has not resolved its fiscal imbalances, its high unemployment and its general lack of confidence. Still, I would be foolish to fail to recognize that we are better off globally than this time last year.

Naturally, when it comes to your Company I am far more confident of the future. Yes, I am biased, but that's because I know that we are blessed with a marvelous management team and a very competent and attentive board of directors.

Your Company performed well in 2013 and responded effectively to competitive pressures. It also successfully engineered the acquisition of a Canadian competitor's loan portfolio.

In our U.S. company the loan portfolio was expected to drop significantly as reported in this letter last year and that's exactly what happened. The year started with the liquidation of our largest client and of a smaller one several months later. These events produced no damage to Accord. All loan principal and interest was collected. The real downside was the diversion of management attention that was required to ensure we exited successfully. Also, and as reported in this letter last year, several additional clients graduated early to bank-provided LIBOR-priced financing thereby reducing our funds employed. Some of this lost business was recouped with the signing of new clients but much of that occurred later in the year. Still, in spite of all this, our U.S. operation reported record net earnings in no small part due to cost controls including zero loan losses. Looking ahead to this year, our U.S. business has a strong backlog of new business coming on the books in the first quarter. So 2014 should see a healthy rebuilding process that should take our funds employed to record levels.

In Canada, our non-recourse business experienced continued headwinds from the major credit insurers. Most of this occurred in the first half of 2013 and we are now confident that the bottom of this cycle has arrived. More importantly several new clients with good growth prospects came on board and we further trimmed our expenses. The bottom line of all this is that there was a noticeable gratifying profit. For that we are we extremely grateful to Simon Hitzig and his very capable executive team and staff who worked hard to control costs and generate new business.

Our other Canadian business had a most satisfying year. Fred Moss and his team at this lending unit achieved a record level of funds employed with minimal loan losses. In addition, in September, they managed to buy a portfolio of loans from a significant competitor that operated mainly in Quebec. That exercise was performed

Quick Response: Accord responds immediately to clients with reliable information and a clear indication of interest in providing funding. Accord provides clients with 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.

so well I certainly wouldn't mind them doing that again should the right opportunity come along.

The volume of receivables processed was the same as last year at $1.86 billion. Recourse volume rose by 4%, while non-recourse volume declined by 11%. Revenue rose to $26.1 million on higher funds employed and improved yields in our U.S. operations. Interest cost remained unchanged at $1.9 million. General and administrative expenses, including depreciation, increased 2% to $14.0 million due to a higher stock-based compensation expense that was related to an increase in the price of Accord's shares in 2013. The provision for credit and loan losses rose to $438,000 from $213,000 a year ago.

Net earnings for 2013 were 3% higher at $6,538,000 or 80 cents per share compared to $6,377,000 or 76 cents per share last year. Return on average shareholders' equity declined from 14% in 2012 to 13% in 2013 as equity increased at a higher rate than net earnings. Total dividends paid amounted to 32 cents per share in 2013 compared with 31 cents in 2012.

Excluding the non-operating stock-based compensation expense, net earnings in 2013 would have been 5% higher at $6,783,000 compared to $6,434,000 in 2012. EPS would have been 8% higher at 83 cents per share compared to 77 cents per share in 2012.

Revenue from operations in Canada decreased to $16.8 million in 2013 compared with $17.6 million in 2012 largely due to a reduction in volume and revenue in our non-recourse factoring business and somewhat lower yields in our Canadian financing business. Net earnings from Canadian operations declined by 6% to $3,252,000 in 2013 compared with $3,452,000 in 2012.

In our U.S. operations, revenue rose 12% to $9.3 million on higher average funds employed and increased yields. Net earnings rose by a similar percentage to a record $3,286,000 in 2013 versus $2,925,000 in 2012.

Last year in this letter I told you we held an offsite meeting with management and some of our directors. That meeting took place in November 2012 and its focus was long-term planning. We titled that meeting "Shareholder Value Enhancement". The lasting benefit of that meeting was that it served to focus our attention on long-term planning in a way that we hadn't experienced in our 35-year history. In the twelve months that followed, management could be overheard discussing our expectations for business activities well beyond the current year's priorities. That was different and very exciting. To keep that momentum going, we held our second Shareholder Value Enhancement meeting; it took place in Toronto in November 2013. The weather outside was chilly but the optimistic climate inside the Accord meeting room was very warm. I left those sessions more excited than ever about your Company's potential to achieve greater heights in furtherance of our objective to enhance the value of your investment.

Our Annual General Meeting of Shareholders takes place this year on May 7th 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 may have about your Company.

Sincerely,

Tom Henderson
President & Chief Executive Officer
February 28, 2014

Keeping Business Liquid

Ken Hitzig   Tom Henderson   Stuart Adair   Fred Moss   Simon Hitzig

Management's Roundtable Discussion

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.;*
***Simon Hitzig**, President of Accord Financial Ltd.;*
***Fred Moss**, President of Accord Financial Inc.; and*
***Stuart Adair**, Vice President and Chief Financial Officer*

Ken Hitzig acted as moderator.

Ken: *Let me start by explaining to our readers what each company does. Accord Financial Ltd. is engaged in non-recourse factoring which provides credit protection and collection services to its clients. Accord Financial Inc. provides financing, recourse factoring and asset-based lending facilities to its clients, most of whom are in Canada. Accord Financial, Inc. provides the same services as their Canadian counterpart, but their clients are all in the U.S.A.*

We had a pretty good year in 2013. We'll go around the table and give each of you a chance to talk about your individual results. Let's start with Simon.

Simon: As you know, we have been battling headwinds since the fourth quarter of 2010. Until that point, we were providing coverage to the largest department store in Canada at a time when no one else would do so. But under new ownership and astute management, the company became healthy again and the credit insurers, who had cut them off for a number of years, came storming back into the market – not only with abundant coverage, but also at very low rates.

Ken: *Then what?*

Simon: Over the course of the next three years we lost about a third of our volume. But the tide appears to have turned. Last month (January) we recorded our first year-over-year increase in volume, and it was quite robust.

Ken: *Have you sacrificed credit quality to win back volume?*

Simon: Not at all. In fact, our credit losses in 2013 were only 0.03% of volume and that's about as low as it's been in many years. Our portfolio of receivables is in top shape.

Ken: *I think it's worth mentioning, as we have in the past, that you have an excellent team.*

International Services: Our international credit team specializes in cross-border business, simplifying the financing and management of international receivables for clients. Our unique AccordOctet program provides import financing for North American companies sourcing goods in China, while our alliance with Factors Chain International facilitates seamless credit and collection services through a network of over 265 factoring companies in 75 countries.

Simon: Credit is not my strongest suit, but Accord Financial Ltd. is blessed by having Jim Bates, our Chief Operating Officer, who is a superb credit analyst. Jim also has a team of credit officers working under him who are experienced veterans. It also didn't hurt that the North American economy began to improve in 2013.

Ken: *Explain why you used the words "North American".*

Simon: Unfortunately, some people believe we only guarantee Canadian receivables. In fact, we cover U.S. receivables as well. In addition, through our network of overseas correspondents, we are able to cover receivables in many countries abroad.

Ken: *Let's move on to Accord Financial Inc. Fred, tell us how your team did in 2013.*

Fred: Our gross revenue fell 3% from 2012 and our expenses rose by 7% resulting in a bottom-line reduction of 18%. Nevertheless, the return on average shareholder's equity was a more-than-satisfactory 16.3%. One of our bright spots was a reduction in net loan losses from $436,000 in 2012 to $316,000 in 2013. Our year-end funds employed or loans to clients were $68 million, an increase of 33% over the previous year-end. However, that required an increase in our allowance for losses of $327,000 in 2013 compared to 2012 when we reversed $190,000 back into income, producing a swing of $517,000. Put another way, more than sixty percent of the drop in our pre-tax income was the result of this swing in reserves expense.

Ken: *You acquired most of the loan portfolio of a competitor, Brome Capital, towards the end of the third quarter. Tell us a little about this.*

Fred: After doing our due diligence we determined that the loan portfolio was in very good shape, and we proceeded to acquire it. This contributed to earnings in the fourth quarter; but the full benefits will appear in 2014. Most of our senior people were involved in this transaction, and they did a great job. One of the reasons our total funds employed were up by 33% in 2013 was the addition of this portfolio. It's worth noting that our underwriting and credit control resulted in lower loan losses in 2013 notwithstanding the rise in funds employed.

Ken: *Fred, as I understand it, Accord Financial Inc. ventured into rediscounting about 15 years ago. For the benefit of our readers, the service of rediscounting involves financing, by Accord, of the receivables already funded by an independent financier. Have I got that right?*

Fred: You have. These independent financiers generally have, or expect to have, rapidly growing portfolios of loans they have made, or will make, to all kinds of SMEs. However, these independent financiers have a difficult time obtaining bank accommodations to support their own growth. And that's where we come in.

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.

Ken: *In other words, they are the retail lender, and Accord is the wholesaler. I gather this segment of your business has grown, is that so?*

Fred: We are rediscounting U.S. and Canadian finance companies from coast to coast. This segment of our business is the most rapidly growing in our portfolio. It now accounts for a little over half of our business.

Ken: *This is a far cry from Accord's early years when the largest segment was apparel and textiles.*

Fred: We have evolved with the times and kept ourselves abreast of the changes.

Ken: *Tom, you led Accord Financial, Inc. to record earnings in 2013. What are the highlights of that performance?*

Tom: The bottom line was our best ever, whether it's measured in U.S. dollars or Canadian dollars. It was just under US$3.2 million (CA$3.3 million). Our revenue was up nicely, our expenses were up marginally, but our loan loss charge-offs were nil for the third year in a row. Because our funds employed fell in 2013, there was a reversal into income of $245,000 as our allowance for losses declined.

Ken: *You're still carrying some foreclosed property in Dallas. Are you through with impairment charges for now?*

Tom: We had impairment charges of almost $3 million in total from 2009 to 2011. The property is appraised every year and the latest appraisal showed the property to be worth moderately more than our carrying cost. As real estate values are slowly improving now, we can only hope that we've seen the last of the impairment charges. With some luck we may even dispose of the property in 2014 and recover some of our prior charges.

Ken: *What's the outlook for 2014? Simon?*

Simon: If the economy keeps improving and we maintain our credit standards, we should see upward momentum at Accord Financial Ltd. If the results for January are a harbinger, we could have a good year.

Ken: *Fred, your thoughts?*

Fred: We entered 2014 on a high, which was obviously a good start. Like Simon, our underwriting standards should remain high and, if so, we could end up with a record year.

Ken: *Tom, what can you add?*

Tom: Unlike Fred's operation, we ended 2013 on a low note. However, our pipeline of prospects is quite full. We have initiated some new marketing programs and I'm confident they will bear fruit in 2014. We could have a record year.

Ken: *Accord had its second Shareholder Value Enhancement session in November 2013, in*

Experienced Management: Accord's employees 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 that sets us apart from the competition.

Toronto. You were the group leader and all the senior officers and some directors were present.

Tom: The sessions are not designed to be planning meetings, nor do we examine short-turn objectives. As the name implies, these sessions are intended to explore new areas of activity, to improve profitability, and significantly enhance shareholder valuation. The sessions were very fruitful, and we all developed a wider perspective on Accord's future.

Ken: *Our readers will notice a new name in the Accord family in the section dealing with our financial services. That name is Varion Capital. Did our acquisition of Varion come out of the Shareholder Value Enhancement meetings?*

Tom: No, it didn't. This acquisition was sourced by Simon. He had become convinced that leasing should be part of our financial facilities and began a search for a suitable partner. After an attempt to acquire a leasing company earlier in the year, which did not materialize, Simon was introduced to three bright young men who were successful in their small leasing business, but lacked the financial resources to expand. One thing led another and we signed a "partnership" agreement on January 31, 2014. We get a team of experienced, ambitious leasing people, and they get the financing to grow.

Ken: *As they say, Accord now has another arrow in its quiver.*

Tom: I'm excited about our prospects.

Ken: *Stuart, tell us your slant on 2013.*

Stuart: If you back out our non-operating costs, such as the cost of our share appreciation rights program, Accord's earnings would have been 83 cents per share for 2013, not far from our record high of 88 cents for 2010. Our charge-offs for credit and loan losses were the third lowest in 20 years. Shareholders' equity at year-end was $53.4 million, equivalent to $6.50 per share. These figures have never been higher.

Ken: *For many years now, Accord's motto has been "Keeping Business Liquid". How's Accord's liquidity?*

Stuart: I'd have to say it's very good. At Dec. 31, 2013 we owed our banks $43 million. Our portfolio of receivables and loans of $111 million collateralizes these bank loans, with a ratio of over 2½ times. The ratio of bank loans to equity is less than one to one. Most financial companies do not have ratios this good. Furthermore, we have lines of credit from three banks totalling $118 million. Our undrawn availability is still very substantial.

Ken: *Our investors will be pleased to learn of Accord's initiatives and optimism. I hope and trust we will all follow through.*

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

Overview

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the year ended December 31, 2013 compared with the year ended December 31, 2012 and, where presented, the year ended December 31, 2011. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A, which has been prepared as at February 28, 2014, should be read in conjunction with the Company's 2013 audited consolidated financial statements (the "Statements") and notes thereto, the Ten Year Financial Summary (see page 26), and the Chairman's Letter and President's Message to the Shareholders, all of which form part of this 2013 Annual Report.

All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Please refer to the Critical Accounting Policies and Estimates section below and notes 2 and 3 to the Statements regarding the Company's use of accounting estimates in the preparation of its financial statements in accordance with IFRS.

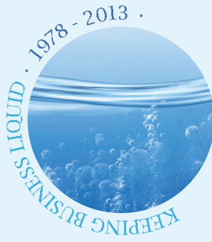
Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

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.

Non-IFRS Financial Measures

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

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



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, asset-based lending, and lease financing. By helping businesses manage cash flow and maximize financial opportunities, Accord keeps businesses liquid and improves their financial well-being.

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

iii) Profitability, yield and efficiency ratios – Table 1 on page 14 presents certain profitability measures. In addition to ROE, the return on average assets is also presented. This is the Company's net earnings expressed as a percentage of average assets. Also presented is net revenue (revenue minus interest expense) expressed as a percentage of average assets, and general and administrative expenses ("G&A") expressed as a percentage of average assets. These ratios are presented over a three-year period, which enables readers to see at a glance trends in the Company's profitability, yield and operating efficiency;

iv) Financial condition and leverage – Table 2 on page 16 presents the following percentages: (i) tangible equity (equity less goodwill and deferred taxes) expressed as a percentage of total assets; (ii) equity expressed as a percentage of total assets; and (iii) debt (bank indebtedness and notes payable) expressed as a percentage of equity. These percentages, presented over the last three years, provide information on trends in the Company's financial condition and leverage; and

v) Credit quality – Table 3 on page 18 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 net charge-offs as a percentage of total factoring volume. The percentage of managed receivables past due more than 60 days and the receivables turnover rate in days are also presented in Table 3.

Accord's Business

Accord is a leading North American provider of factoring and other asset-based financial services to businesses, including financing, credit investigation and guarantees, collection services, supply chain financing for importers and now, with the recent acquisition of Varion Capital Corp. ("Varion"), lease financing. 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 17(a) to the Statements.

The Company founded in 1978, operated three finance companies in North America in 2013, namely, Accord Financial Ltd. ("AFL") and Accord Financial Inc. ("AFIC") in Canada and Accord Financial, Inc. ("AFIU") in the United States. On January 31, 2014, the Company acquired Varion, a Canadian equipment lease finance company. The Varion acquisition is discussed below.

During 2013, the Company's business principally involved: (i) financing, namely, recourse factoring and asset-based lending by AFIC and AFIU, which entails financing or purchasing receivables on a recourse basis, as well as 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

Years ended December 31 (in thousands unless otherwise stated)		2013	% of Revenue		2012	% of Revenue	% change from 2012 to 2013
Factoring volume (millions)	$	1,860		$	1,865		—
Revenue							
Interest and other income	$	26,074	100.0%	$	25,891	100.0%	1%
Expenses							
Interest		1,913	7.3%		1,911	7.4%	—
General and administrative		13,845	53.1%		13,615	52.6%	2%
Provision for credit and loan losses		438	1.7%		213	0.8%	106%
Depreciation		112	0.4%		126	0.5%	-11%
		16,308	62.5%		15,865	61.3%	3%
Earnings before income tax expense		9,766	37.5%		10,026	38.7%	-3%
Income tax expense		3,228	12.4%		3,649	14.1%	-12%
Net earnings	$	6,538	25.1%	$	6,377	24.6%	3%
Basic and diluted earnings per common share (cents)		80			76		5%

Selected Annual Information

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

	2013	2012	2011
Revenue	$ 26,074	$ 25,891	$ 28,408
Net earnings	6,538	6,377	7,585
Basic and diluted earnings per share	0.80	0.76	0.85
Dividends per share	0.32	0.31	0.30
Total assets	$120,809	$124,592	$ 98,492

Results of Operations

Fiscal 2013: *Year ended December 31, 2013 compared with year ended December 31, 2012*

The Company's 2013 net earnings rose by $161,000 or 3% to $6,538,000 compared to the $6,377,000 earned in 2012 but were 14% below 2011's net earnings of $7,585,000. Net earnings rose compared to 2012 principally as a result of a lower income tax expense and higher revenue. Net earnings decreased compared to 2011 as a result of lower revenue. Earnings per common share ("EPS") rose by 5% to 80 cents in 2013 from the 76 cents earned in 2012. EPS were 6% below the 85 cents earned in 2011. The Company's ROE declined to 13.1% in 2013 compared to 13.8% last year and 16.8% in 2011. ROE declined in 2013 despite a rise in net earnings as equity rose at a faster rate.

Net earnings in 2013 were affected by a significant stock-based compensation expense related to the Company's share appreciation rights ("SARs"). This non-operating expense largely resulted from an increase in Accord's share price on the Toronto Stock Exchange in 2013. Excluding the non-operating SARs expense of $370,000 (2012 – $86,000), net earnings in 2013 would have risen by 5% to $6,783,000 compared to $6,434,000 a year earlier. EPS would have increased by 8% to 83 cents in 2013 compared to 77 cents last year.

Factoring volume in 2013 decreased slightly to $1,860 million compared to $1,865 million in 2012. Non-recourse factoring volume declined by 11%, while recourse volume rose by 4%. Non-recourse volume continued to decline as a result of client terminations, although the rate of decline has slowed considerably and appears to have ceased. Recourse volume rose largely as a result of AFIC adding a number of new clients in 2013, which included a portfolio of loans acquired from a competitor in September 2013. International volume, mostly cross-border business between Canada and the U.S., increased to $534 million in 2013 compared to $408 million last year. International volume comprised 29% of the Company's total volume in 2013, up from 22% in 2012.

Revenue rose by $183,000 to $26,074,000 in 2013 compared to $25,891,000 in 2012 but was 8% lower than the $28,408,000 in 2011. Revenue increased compared to 2012 on higher average funds employed and improved yields. Revenue declined compared to 2011 principally as a result of reduced non-recourse factoring volume and somewhat lower recourse factoring yields.

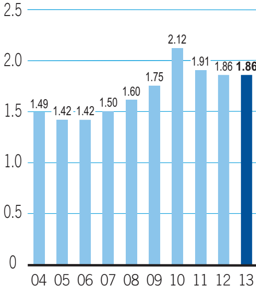
Interest expense rose slightly to $1,913,000 in 2013 from $1,911,000 last year; average borrowings were 3% higher.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. In 2013, G&A rose by $230,000 to $13,845,000 from $13,615,000 the prior year. G&A increased primarily as a result of the above noted $284,000 rise in stock-based compensation expense. The Company continues to manage its controllable expenses closely. G&A totalled 53% of revenue in 2013, the same as in 2012.

The provision for credit and loan losses rose by $225,000 to $438,000 in 2013 from $213,000 last year. The provision for credit and loan losses comprised:

Years ended Dec. 31 (in thousands)	2013	2012
Net charge-offs	$ 422	$ 837
Reserves expense (recovery) related to increase (decrease) in total allowances for losses	16	(624)
	$ 438	$ 213

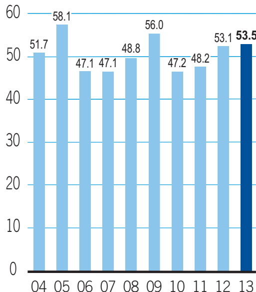
The provision for credit and loan losses as a percentage of revenue increased to 1.7% in 2013 from 0.8% in 2012 on a $640,000 rise in the reserves expense. Net charge-offs decreased by 50% to $422,000 compared to $837,000 in 2012; this was the third lowest level of net charge-offs in the last twenty years. There was a reserve expense of $16,000 this year compared to a recovery of $624,000 last year. In 2012, following a review of the historic charge-off experience, the Company revised its allowances for losses formulae to reflect improved charge-off experience. As a result of this review, the Company reduced its allowances for losses by $837,000 and booked



Factoring Volume

(in billions of dollars)

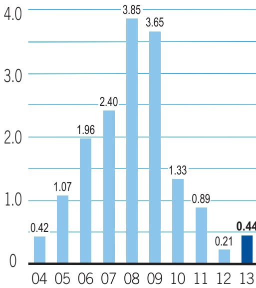
Factoring volume was relatively unchanged at $1.86 billion in 2013.



Operating Expenses

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

Operating expenses rose slightly to 53.5% of revenue in 2013 from 53.1% last year on a higher stock-based compensation expense.



Provision for Credit and Loan Losses

(in millions)

The provision rose to a very acceptable $0.44 million in 2013 compared to a ten year low of $0.21 million in 2012. It was the third lowest in the last ten years.

a similar reserves recovery. 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.

Income tax expense decreased by $421,000 or 12% to $3,228,000 in 2013 compared to $3,649,000 last year. During 2012, the Company incurred a one-time withholding tax expense of $496,000 on a dividend of $9,920,000 received from its U.S. subsidiary, AFIU. Excluding this one-time tax expense, income tax expense would have risen by $75,000 despite a $260,000 decrease in pre-tax earnings. The Company's effective corporate income tax rate for 2013 was 33.1%, while it was 36.4% last year. Excluding the withholding tax expense, 2012's effective tax rate would have been 31.5%.

Table 1 – Profitability, Yield and Efficiency Ratios

(as a percentage)	**2013**	2012	2011
Return on Average Assets	**5.3**	5.7	7.2
Return on Average Equity	**13.1**	13.8	16.8
Net Revenue/Average Assets	**19.7**	21.5	24.9
Operating Expenses/ Average Assets	**11.4**	12.3	13.0

Table 1 highlights the Company's profitability in terms of returns on its average assets and equity. In 2013, on higher average assets and equity, these percentages declined to 5.3% and 13.1%, respectively, despite improved net earnings.

Net revenue as a percentage of average assets declined to 19.7% compared to 21.5% in 2012 as revenue increased by 1% in 2013, while average assets were 10% higher. The ratio of G&A to average assets decreased to 11.4% in 2013 compared with 12.3% last year on the rise in average assets.

Canadian operations

Net earnings from Canadian operations decreased by $200,000 or 6% to $3,252,000 in 2013 compared to $3,452,000 last year as a result of lower revenue and a higher provision for losses. Please see note 19 to the Statements.

Revenue declined by $846,000 or 5% to $16,786,000 in 2013 compared to $17,632,000 last year as a result of the 11% decline in non-recourse factoring volume and lower yields in our Canadian financing business. Interest expense declined by $210,000 or 13% to $1,415,000 on lower average borrowings and interest rates. G&A decreased by $299,000 or 3% to $10,102,000 on lower personnel costs, including a reduced employee profit share. The provision for credit and loan losses increased by $619,000 to $718,000 in 2013 as a result of a higher reserves expense (see discussion above). Depreciation was $20,000 lower at $85,000. Income tax expense decreased by $736,000 to $1,214,000 in 2013 as a result of the absence of the above noted $496,000 withholding tax expense and lower pre-tax earnings.

U.S. operations

Net earnings from U.S. operations increased by $361,000 or 12% to a record $3,286,000 in 2013 compared to $2,925,000 last year on higher revenue and a lower provision for losses. In U.S. dollars, net income rose by 8% to a record US$3,181,000.

Revenue increased by $1,009,000 or 12% to $9,287,000 in 2013 from $8,278,000 last year on higher average funds employed and improved yields. Interest expense increased by $192,000 or 63% to $497,000 compared to $305,000 last year on higher borrowings. G&A rose by $529,000 or 16% to $3,743,000. The provision for losses decreased by $394,000 to a recovery of $280,000 compared to an expense of $114,000 last year. AFIU had no charge-offs again in 2013; it has not had a charge-off since 2010. Income tax expense increased by 19% to $2,014,000 from $1,699,000 in 2012.

Fourth quarter 2013: *Quarter ended December 31, 2013 compared with quarter ended December 31, 2012*

Net earnings for the quarter ended December 31, 2013 increased by $122,000 or 5% to $2,647,000 compared with $2,524,000 last year. Net earnings increased on a

Summary of Quarterly Financial Results*

(in thousands of dollars unless otherwise stated)	2013				2012			
Quarters ended	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	Dec. 31	Sept. 30	June 30	Mar. 31
Factoring volume (millions)	**$ 483**	**$ 499**	**$ 431**	**$ 448**	$ 511	$ 474	$ 433	$ 437
Revenue								
Interest and other income	**$ 7,275**	**$ 6,464**	**$ 6,388**	**$ 5,947**	$ 7,139	$ 6,749	$ 6,323	$ 5,680
Expenses								
Interest	**501**	**470**	**489**	**453**	558	494	469	390
General and administrative	**3,509**	**3,456**	**3,579**	**3,301**	3,649	3,293	3,284	3,389
Provision for credit and loan losses	**(619)**	**439**	**339**	**280**	(1,455)	342	722	604
Depreciation	**29**	**28**	**27**	**27**	31	32	32	31
	3,420	**4,393**	**4,434**	**4,061**	2,783	4,161	4,507	4,414
Earnings before income tax expense	**3,855**	**2,071**	**1,954**	**1,886**	4,356	2,588	1,816	1,266
Income tax expense	**1,208**	**693**	**687**	**640**	1,832	863	573	381
Net earnings	**$ 2,647**	**$ 1,378**	**$ 1,267**	**$ 1,246**	$ 2,524	$ 1,725	$ 1,243	$ 885
Basic and diluted earnings per common share (cents)	**32**	**17**	**15**	**15**	31	21	15	10

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

lower income tax expense, higher revenue and reduced G&A and interest costs. EPS rose to 32 cents compared to 31 cents last year. Excluding the non-operating stock-based compensation recovery of $86,000 (2012 – expense $36,000) in the fourth quarter, net earnings would have increased to $2,586,000 in 2013 from $2,549,000 last year. EPS would have been 31 cents in both years.

Factoring volume declined by 5% to $483 million in the quarter compared to $511 million in the fourth quarter of 2012. The Company's non-recourse factoring volume declined by 13% for reasons explained above, while its recourse factoring volume declined by 3%.

Revenue rose by $136,000 or 2% to $7,275,000 in the fourth quarter compared to $7,139,000 last year largely as result of higher average funds employed and improved yields.

Interest expense declined by $57,000 or 10% to $501,000 in the fourth quarter compared to $558,000 last year on lower average interest rates.

G&A for the fourth quarter decreased by $140,000 or 4% to $3,509,000 compared to $3,649,000 last year. G&A declined as a result of lower employee profit sharing and a stock-based compensation recovery.

There was a recovery of credit and loan losses of $619,000 in the fourth quarter of 2013 compared to a $1,455,000 recovery last year. The recovery of credit and loan losses comprised:

Quarters ended Dec. 31 (in thousands)	**2013**	2012
Net charge-off recoveries	**$ (357)**	$ (297)
Reserves recovery related to decrease in total allowances for losses	**(262)**	(1,158)
	$ (619)	$ (1,455)

In the fourth quarter of 2012, $837,000 of the reserves recovery resulted from a revision to the formulae used to estimate the Company's allowance for losses (see discussion above).

Income tax expense decreased by $624,000 to $1,208,000 compared to $1,832,000 last year on the absence of the $496,000 withholding tax expense and a 12% decline in pre-tax earnings.

Review of Financial Position

Equity at December 31, 2013 increased by $6,035,000 or 13% to a record high $53,430,000 compared to $47,395,000 last year-end. Book value per share also rose to a record high $6.50 at December 31, 2013 compared to $5.76 a year earlier. The increase in equity in 2013 resulted from higher retained earnings and an improved accumulated other comprehensive income or loss ("AOCIL") balance. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 32 of this Annual Report.

Total assets decreased to $120,809,000 at December 31, 2013 compared to $124,592,000 last year-end but were higher than the $98,492,000 at December 31, 2011. Total assets largely comprised net Loans, which rose by $1,298,000 to $109,775,000 at December 31, 2013. As detailed in the Ten Year Financial Summary, total assets have grown significantly in the last ten years as a result of growth in the Company's financing (recourse factoring and asset-based lending) business.

Table 2 – Financial Condition and Leverage

(as a percentage)	2013	2012	2011
Tangible Equity/Assets	**42**	36	47
Equity/Assets	**44**	38	49
Debt (bank indebtedness & notes payable)/Equity	**109**	146	87
Receivables and Loans ($000)			
Loans	**111,287**	109,833	90,626
Managed Receivables	**62,170**	87,257	102,004
Total Portfolio	**173,457**	197,090	192,630

Table 2 highlights the Company's financial condition. The first two ratios in the table (42% and 44%), detailing equity as a percentage of assets, rose in 2013 as a result of higher equity and lower assets. Meanwhile, the debt to equity ratio decreased to 109% in 2013 from 146% in 2012. These ratios indicate the Company's continued financial strength and relatively low degree of leverage.

Excluding inter-company balances, 59% of identifiable assets were located in Canada and 41% in the United States at December 31, 2013, while 49% of identifiable assets were located in Canada and 51% in the United States at December 31, 2012 (see note 19 to the Statements).

Gross factored receivables and loans (defined earlier as Loans or funds employed), before the allowance for losses thereon, increased by $1,404,000 to $111,287,000 at December 31, 2013 compared with $109,883,000 a year earlier. As detailed in note 4 to the Statements, the Company's Loans comprised:

(in thousands)	Dec. 31, 2013	Dec. 31, 2012
Factored receivables	**$ 91,984**	$ 93,703
Loans to clients	**19,303**	16,180
Factored receivables and loans, gross	**111,287**	109,883
Less allowance for losses	**1,512**	1,406
Factored receivables and loans, net	**$109,775**	$108,477

The Company's factored receivables decreased by 2% to $91,984,000 at December 31, 2013 compared to $93,703,000 last year-end. Loans to clients rose 19% to $19,303,000 at December 31, 2013 compared to $16,180,000 at December 31, 2012. Net of the allowance for losses thereon, Loans increased by $1,298,000 to $109,775,000 at December 31, 2013 compared with $108,477,000 a year earlier. The Company's Loans principally represent advances made by its financing subsidiaries, AFIC and AFIU, to clients in a wide variety of industries. These businesses had approximately 140 clients at December 31, 2013. Five clients each comprised over 5% of gross Loans at December 31, 2013, of which the largest client comprised 11%.

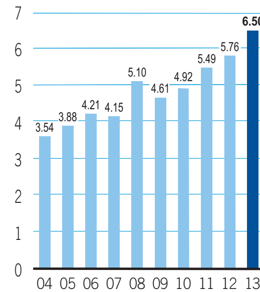
In its non-recourse factoring business, the Company contracts with clients to assume the credit risk associated with respect to their receivables without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statement of financial position. These non-recourse or managed receivables totalled $62 million at December 31, 2013 compared to $87 million last year-end. Managed receivables comprise the receivables of approximately 120 clients at December 31, 2013. The 25 largest clients

comprised 66% of non-recourse volume in 2013 compared to 65% in 2012. Most of the clients' customers upon which the Company assumes the credit risk are "big box", apparel, home furnishings and footwear retailers in Canada and the United States. At December 31, 2013, the 25 largest customers accounted for 52% of the total managed receivables, of which the largest five comprised 30%. The Company monitors the retail industry and the credit risk related to its managed receivables very closely. The managed receivables are regularly reviewed and continue to be well rated.

The Company's total portfolio, which comprises both gross Loans and managed receivables, declined 12% to $173 million at December 31, 2013 compared to $197 million last year-end on the $25 million decrease in managed receivables. See Table 2 and the Total Portfolio bar chart for a ten-year history.

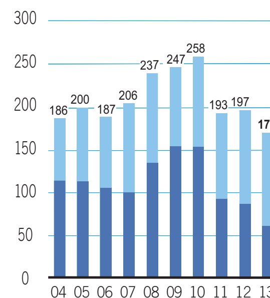
As described in note 17(a) to the Statements, the Company's business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as funding other assets such as inventory and equipment. Credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1,000,000, 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 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.

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 the invoice date. Of the total managed



Book Value per Share
(in dollars)

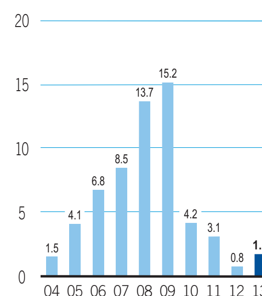
Book value per share rose to a record high $6.50 at December 31, 2013. It was 13% higher than the $5.76 last year-end.



Total Portfolio
Loans and managed receivables
(in millions of dollars)

The Company's total portfolio decreased by 12% to $173 million at December 31, 2013 from $197 million a year earlier on lower managed receivables.

Loans Managed



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

The provision rose to 1.7% of revenue in 2013 from a ten year low of 0.8% last year. It was the third lowest in the last ten years.

receivables that the Company guarantees payment, 4.9% were past due more than 60 days at December 31, 2013 compared to 4.6% 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 rating system to assess credit risk in its financing 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 an ongoing basis. For a factoring company, the financial strength of its clients customers is often more important than the financial strength of the clients themselves.

The Company also minimizes credit risk by limiting the maximum amount it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases. In its non-recourse factoring business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. As noted above, all customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. 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 given the nature of Accord's business in today's economic and credit environment. Note 17(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)	**2013**	2012	2011
Receivables Turnover (days)	**37**	39	44
Managed Receivables past due more than 60 days	**4.9**	4.6	9.4
Reserves*/Portfolio	**1.0**	0.8	1.2
Reserves*/Net Charge-offs	**393**	193	149
Net Charge-offs/Volume	**0.02**	0.04	0.08

*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 total portfolio, both Loans and managed receivables. Net charge-offs of our managed receivables declined to $135,000, a ten year low, in 2013 compared to $397,000 last year. Net charge-offs of managed receivables were 3 basis points of volume in 2013 compared to 8 basis points in 2012. Net charge-offs in the Company's financing business totalled $287,000 in 2013 compared to $440,000 last year. Overall, the Company's total net charge-offs in 2013, as set out in the Results of Operations section above, declined by 50% to a very acceptable $422,000 compared with $837,000 in 2012. Total net charge-offs were 2 basis points of volume in 2013 compared to 4 basis points last year.

After the customary detailed year-end review of the Company's $173 million portfolio by its Risk Management Committee, it was determined that all problem loans and accounts were identified and provided for as necessary. 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. Overall, the allowance for losses on Loans increased by $106,000 or 8% to $1,512,000 at December 31, 2013 from $1,406,000 last year-end. The allowance for losses on the guarantee of managed

receivables decreased to $147,000 at December 31, 2013 compared to $207,000 at December 31, 2012 on a 29% decline in managed receivables. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. It is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statement of financial position. The activity in both allowance for losses accounts for 2013 and 2012 is set out in note 4 to the Statements. The estimates of both allowances for losses are judgmental. Management considers them to be reasonable and appropriate.

Cash decreased to $3,442,000 at December 31, 2013 compared to $9,899,000 a year earlier. Cash was higher at December 31, 2012 as a result of a year-end loan repayment to AFL, which funds were only loaned to another subsidiary at the beginning of January 2013 to reduce that subsidiary's bank indebtedness. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Assets held for sale are stated at their net realizable value and totalled $4,540,000 at December 31, 2013 compared to $3,307,000 last year-end. During 2013, the Company obtained title to certain long-lived assets securing a defaulted loan. In 2009, the Company also obtained title to certain long-lived assets securing a defaulted loan upon which the Company's U.S. subsidiary had foreclosed. Assets held for sale acquired during 2013 totalled $1,120,000 (2012 – nil), while assets totalling $113,000 (2012 – nil) were disposed. These assets are currently being marketed for sale, or will be shortly, and will be sold as market conditions permit. The net realizable value of the assets at December 31, 2013 and 2012 was estimated based upon professional appraisals thereof. Assets held for sale by our U.S. subsidiary are translated into Canadian dollars at the prevailing year-end exchange rate. Please see note 5 to the Statements.

Income taxes receivable, other assets, deferred tax assets, capital assets and goodwill, and respective changes therein, compared to December 31, 2012 were not significant.

Total liabilities declined by $9,818,000 to $67,378,000 at December 31, 2013 compared to $77,196,000 at December 31, 2012. The decrease compared to last year-end principally resulted from an $11,204,000 decrease in bank indebtedness.

Amounts due to clients increased by $1,241,000 to $5,115,000 at December 31, 2013 compared to $3,874,000 at December 31, 2012. 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.

Bank indebtedness declined by $11,204,000 to $43,368,000 at December 31, 2013 compared with $54,572,000 at December 31, 2012. The decrease in 2013 principally resulted from utilizing the large cash balance available at December 31, 2012 to repay bank indebtedness, as well as cash generated from operations. The Company had approved credit lines with a number of banks totalling $118 million at December 31, 2013 and was in compliance with all loan covenants thereunder at the above dates. The Company's credit lines are typically renewed for a period of one or two years at a time as circumstances dictate. Bank indebtedness usually fluctuates with the quantum of Loans outstanding. The Company has no term debt outstanding.

Accounts payable and other liabilities declined by $598,000 to $2,276,000 at December 31, 2013 compared to $2,874,000 last year-end. As noted above, accounts payable and other liabilities include the allowance for losses on the guarantee of managed receivables.

Income taxes payable, deferred income and deferred tax liability, and the respective changes therein in 2013, were not significant.

Notes payable rose by $317,000 to $14,809,000 at December 31, 2013 compared to $14,492,000 last year-end. The increase in notes payable in 2013 principally

resulted from new notes issued, net of redemptions, and accrued interest. Please see Related Party Transactions section below and note 9(a) to the Statements.

Capital stock remained unchanged at $6,037,000 on December 31, 2013 and 2012. There were 8,221,498 common shares outstanding at December 31, 2013 and 2012. The consolidated statements of changes in equity on page 32 of this Annual Report provides details of the changes in the Company's issued and outstanding common shares and capital stock over the last two years. Details of the Company's issuer bids are provided in note 10(c) to the Statements. During 2013, the Company did not repurchase any shares for cancellation (2012 – 497,500). During 2012, the shares repurchased under its issuer bids were acquired at a cost $3,402,000 (for an average price of $6.84 per common share). At the date of this MD&A, February 28, 2014, 8,307,713 common shares were outstanding, including 86,215 shares issued relating to the acquisition of Varion on January 31, 2014.

Retained earnings increased by $3,907,000 to $47,077,000 at December 31, 2013 compared to $43,170,000 at December 31, 2012. The increase in 2013 comprised net earnings of $6,538,000 less dividends paid of $2,631,000 (32 cents per common share). Please see the consolidated statements of changes in equity on page 32 of this report for details of changes in retained earnings in 2013 and 2012.

The Company's AOCIL account solely comprises the cumulative unrealized foreign exchange gain or loss arising on the translation of the assets and liabilities of the Company's foreign subsidiaries that report in U.S. dollars. The AOCIL balance was in an accumulated income position of $274,000 at December 31, 2013 compared to an accumulated loss position of $1,854,000 at December 31, 2012. These balances represent the cumulative translation gains or losses arising as a result of fluctuations in the U.S. dollar against the Canadian dollar since January 1, 2010, the date the Company transitioned to IFRS and reset its AOCIL balance to zero. The $2,128,000 improvement in 2013 resulted from the increase in the value of the U.S. dollar against the Canadian dollar. Please refer to note 16 to the Statements and the consolidated statements of changes in equity on page 32 of this report, which details movements in the AOCIL account in 2013 and 2012. The U.S. dollar rose from $0.9949 at December 31, 2012 to $1.0636 at December 31, 2013. This increased the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$33 million by $2,128,000 in 2013.

Liquidity and Capital Resources

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

The Company manages its capital resources and makes adjustments to them in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital resources, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay debt. Amongst other things, the Company monitors the ratio of its debt to equity and its equity to total assets. These ratios are presented for the last three years as percentages in Table 2. As noted above, the ratios at December 31, 2013 indicate the Company's continued financial strength and overall relatively 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 affect financing needs. In addition to cash flow generated from operations, the Company maintains bank lines of credit in Canada

Contractual Obligations and Commitments at December 31, 2013

(in thousands of dollars)	Payments due in Less than one year	One to three years	Four to five years	Total
Operating lease obligations	$ 340	$ 690	$ 167	**$ 1,197**
Purchase obligations	27	19	—	**46**
	$ 367	$ 709	$ 167	**$ 1,243**

and the United States. The Company can also raise funds through its notes payable program.

The Company had bank credit lines totalling $118 million at December 31, 2013 and had borrowed $43 million against these facilities. Funds generated through operating activities and issuance of notes payable decrease the usage of, and dependence on, these lines.

As noted in the Review of Financial Position section above, the Company had cash balances of $3,442,000 at December 31, 2013 compared to $9,899,000 at December 31, 2012. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Fiscal 2013 cash flows: *Year ended December 31, 2013 compared with year ended December 31, 2012*

Cash inflow from operating activities before changes in operating assets and liabilities and income tax payments totalled $9,941,000 in 2013 compared with $9,230,000 last year. After changes in operating assets and liabilities and income tax payments are taken into account, there was a net cash inflow from operating activities of $8,398,000 in 2013 compared with a net cash outflow of $14,252,000 last year. The net cash inflow in 2013 principally resulted from net earnings, while the net cash outflow in 2012 principally resulted from funding an increase in gross Loans of $20,332,000.

Net cash outflow from financing activities totalled $14,880,000 in 2013 compared to a net cash inflow of $21,451,000 last year. The 2013 net cash outflow resulted from a $12,517,000 decrease in bank indebtedness and dividend payments totalling $2,631,000. Partly offsetting these cash outflows was the issuance of notes payable, net, totalling $268,000. The net cash inflow in 2012 resulted from a $27,550,000 increase in bank indebtedness. Partly offsetting this cash inflow was the repurchase of common shares under the Company's issuer bids at a cost of $3,402,000, dividend payments totalling $2,593,000 and the redemption of notes payable, net, totalling $104,000.

Cash flows relating to investing activities and the effect of exchange rate changes on cash were not significant in 2013 and 2012.

Overall, there was a net cash outflow of $6,457,000 in 2013 compared to a net cash inflow of $7,045,000 last year.

Acquisition of Varion Capital Corp.

On January 31, 2014, the Company completed the strategic acquisition of Varion, a Canadian lease finance company, at a cost of $4,999,995. The acquisition expands the range of asset-based financial services offered by Accord to include equipment leasing. See note 21 to the Statements.

Varion finances equipment for small- and medium-sized businesses, serving a broad base of Canada's most dynamic industries, from forestry and energy to hospitality and manufacturing. The acquisition will

enable Accord to provide a broader range of finance solutions for growing companies across Canada. Further, clients of Accord and Varion will benefit by having access to more financing options. Accord will now have a significant operating presence from coast to coast.

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 or, in the case of one note, a week after demand and bear interest at rates at or below the rates charged by the Company's banks. Notes payable at December 31, 2013 increased by $317,000 to $14,809,000 compared with $14,492,000 at December 31, 2012. Of these notes payable, $12,957,000 (2012 – $13,150,000) or 87% was owing to related parties and $1,852,000 (2012 – $1,342,000) or 13% to third parties. Interest expense on these notes totalled $413,000 in 2013 and 2012. Please refer to note 9(a) to the Statements.

Note 9(b) to the Statements details the remuneration of directors and key management personnel during 2013 and 2012.

Financial Instruments

All financial assets and liabilities, with the exception of cash, derivative financial instruments, the guarantee of managed receivables and the Company's SARs liability, are recorded at amortized cost. The exceptions noted are recorded at fair value.

As at December 31, 2013, the Company had outstanding forward foreign exchange contracts with a financial institution that must be exercised between January 1, 2014 and February 28, 2014 and which oblige the Company to sell Canadian dollars and buy US$600,000 at exchange rates ranging from 1.0536 to 1.0548. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company will buy Canadian dollars from and sell US$600,000 to the client, thereby offsetting most risks to the Company. These contracts are discussed further in note 15 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 losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic 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 where a client's customer becomes insolvent and the Company's guarantee is called upon. In such cases, the Company will estimate the fair value of the required payments to client(s) 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 upon historic credit and loan loss experience and are reviewed for adequacy on a regular basis. 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 in notes 3(e) and 4 to the Statements.

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

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, 2013 and has concluded that such disclosure controls and procedures are effective.

Management's annual report on internal control over financial reporting

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

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

ii) the Company's management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of the Company's internal control over financial reporting and test its effectiveness; and

iii) the Company's management has designed and tested the effectiveness of its internal control over financial reporting as at December 31, 2013 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 IFRS and advises that there are no material weaknesses in the design of internal control over financial reporting that have been identified by management.

Risks and Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 17 to the Statements, which discusses the Company's principal 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 can affect its ability to do new business as quality prospects become limited, although in a weak economy competition may be lessened, which could result in the Company seeing more prospects. Further, the Company's clients and their customers are often adversely affected by economic slowdowns and this can lead to increases in its provision for credit and loan losses.

Credit risk

The Company is in the business of factoring its clients' receivables and making asset-based loans. The Company's portfolio totalled $173 million at December 31, 2013. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 17(a) to the Statements.

Interest rate risk

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting 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 17(c)(ii) to the Statements.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources is 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 fluctuations in the U.S. dollar against the Canadian dollar affect its operating results when its foreign subsidiaries results are translated into Canadian dollars. It has also impacted the value of the Company's net Canadian dollar investment in its foreign subsidiaries, which had reduced the AOCIL component of equity to a loss position, although this has now recovered to a small gain at December 31, 2013. Please see notes 16 and 17(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.

The Company ended 2013 with a year-end high funds employed of $111 million, after hitting an all-time high of $131 million in the fourth quarter. 2014 has started out well and a number of significant transactions have closed, or are about to. Further, our pipeline of prospects is strong, particularly in the U.S., and it is expected that our financing units, AFIC and AFIU, can build upon the momentum of the fourth quarter of 2013 despite operating in a very competitive market. AFL, our Canadian non-recourse factoring business, which has faced intense competition from multinational credit insurers for the last three years, has now stabilized and expects growth again in 2014. On January 31, 2014, the Company acquired Varion as a "fourth leg" and hopes to grow Varion's leasing business substantially over the next few years. Accord continues to seek opportunities to acquire companies or portfolios to grow its business.

The Company is cautiously optimistic for 2014. Future success in growing the Company's revenue will largely depend upon building on the current levels of funds employed and converting prospects into clients. The Company continues to control its operating expenses well and will endeavor to keep credit and loan losses at the low levels achieved in 2013 through strong underwriting and account management.

Accord, with its substantial capital and borrowing capacity, is well positioned to capitalize on market conditions. That, coupled with experienced management and staff, will enable the Company to meet increased competition and develop new opportunities. Accord continues to look to introduce new financial and credit services to fuel growth in a very competitive and challenging environment.

Stuart Adair
Vice President, Chief Financial Officer
February 28, 2014

Accord's 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.

Receivables turnover

We try to minimize risk by turning our receivables in as few days as possible. During 2013 the receivables turnover declined to 37 days compared to 39 days in 2012.

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 4.6% to 9.4%. At December 31, 2013, the percentage was 4.9%.

Reserves to portfolio

In an effort to minimize financial risk, we try to maximize this measure. Over the past three years, it has been between 0.8% and 1.2%, and was 1.0% at December 31, 2013.

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. As a result of the very low level of charge-offs in 2012, this percentage rose significantly to 393% at December 31, 2013.

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 2013 was only 2 basis points of volume.

Ten Year Financial Summary 2004-2013

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

	Canadian GAAP						IFRS*			
	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Factoring volume (in millions)	$ 1,489	1,424	1,417	1,497	1,596	1,748	2,120	1,914	1,865	**1,860**
Revenue	$ 27,418	26,230	28,864	28,346	28,060	24,045	31,406	28,408	25,891	**26,074**
Interest	1,225	1,762	2,391	2,992	2,871	1,180	1,730	2,047	1,911	**1,913**
General and administrative	13,760	14,892	13,290	13,143	13,491	13,290	14,679	13,558	13,615	**13,845**
Provision for credit and loan losses	422	1,074	1,961	2,402	3,849	3,648	1,325	886	213	**438**
Impairment of assets held for sale	—	—	—	—	—	1,265	1,237	462	—	**—**
Depreciation	416	338	322	209	195	181	159	130	126	**112**
Total expenses	15,823	18,066	17,964	18,746	20,406	19,564	19,130	17,083	15,865	**16,308**
Earnings before income tax expense	11,595	8,164	10,900	9,600	7,654	4,481	12,276	11,325	10,026	**9,766**
Income tax expense	3,971	2,861	3,783	3,313	2,613	1,392	4,033	3,740	3,649	**3,228**
Earnings before extraordinary gain	7,624	5,303	7,117	6,287	5,041	3,089	8,243	7,585	6,377	**6,538**
Extraordinary gain	—	907	—	—	—	—	—	—	—	**—**
Net earnings	$ 7,624	6,210	7,117	6,287	5,041	3,089	8,243	7,585	6,377	**6,538**
Earnings per common share:										
Basic	$ 0.78	0.63	0.73	0.66	0.53	0.33	0.88	0.85	0.76	**0.80**
Diluted	0.76	0.62	0.72	0.66	0.53	0.33	0.88	0.85	0.76	**0.80**
Dividends per common share	$ 1.68	0.18	0.20	0.22	0.24	0.26	0.28	0.30	0.31	**0.32**
Factored receivables and loans	$ 71,136	84,270	79,863	103,940	99,990	89,907	102,313	89,124	108,477	**109,775**
Other assets	2,909	5,834	4,816	3,193	3,508	8,030	10,811	9,368	16,115	**11,034**
Total assets	$ 74,045	90,104	84,679	107,133	103,498	97,937	113,124	98,492	124,592	**120,809**
Due to clients	$ 5,532	5,092	4,227	4,897	4,588	4,517	5,113	3,519	3,874	**5,115**
Bank indebtedness	15,608	32,592	26,687	48,207	35,877	36,798	44,596	27,222	54,572	**43,368**
Accounts payable and other liabilities	5,227	5,565	3,940	4,459	3,081	3,267	7,889	4,528	3,808	**3,583**
Notes payable	11,778	7,298	9,195	9,567	10,944	9,254	10,142	14,611	14,492	**14,809**
Deferred income	908	992	913	806	829	746	824	757	450	**503**
Total liabilities	39,053	51,539	44,962	67,936	55,319	54,582	68,564	50,637	77,196	**67,378**
Equity	34,992	38,565	39,717	39,197	48,179	43,355	44,560	47,855	47,396	**53,431**
Total liabilities and equity	$ 74,045	90,104	84,679	107,133	103,498	97,937	113,124	98,492	124,592	**120,809**
Shares outstanding at Dec. 31	# 9,876	9,930	9,443	9,454	9,438	9,409	9,066	8,719	8,221	**8,221**
Book value per share at Dec. 31	$ 3.54	3.88	4.21	4.15	5.10	4.61	4.92	5.49	5.76	**6.50**
Share price - high	$ 11.25	8.80	8.25	9.45	8.39	6.70	8.14	8.25	7.15	**9.25**
- low	6.50	6.70	7.00	7.72	4.75	5.25	5.25	6.50	6.50	**6.84**
- close at Dec. 31	8.75	7.05	7.75	8.00	5.81	5.25	7.50	6.87	7.00	**7.86**
Return on average equity (as a %)	19.1	16.8	18.3	16.0	11.7	6.7	18.2	16.8	13.8	**13.1**

* the Company adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010. The financial statement amounts presented above for 2009 and prior years were prepared in accordance with Canadian generally accepted accounting principles.

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 CSA National Policy 58-201, Effective Corporate Governance, ("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, Disclosure of Corporate Governance Practices, 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

Each year 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, which is available on the Company's website at www.accordfinancial.com. 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 independent members thereof, reviews and approves all credit requests 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 reports, including 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. The Board's next self-assessment evaluation is expected to be in the first half of 2014.

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 performance of the Company, including regular meetings both with, and without, management to discuss specific aspects of the Company's operations. Each director is expected to attend all Board meetings and comprehensively review meeting materials provided in advance of each meeting. During 2013 there were four meetings of the Board. Details of director attendances at those meetings are set out in the Company's Management Proxy Circular (the "Circular") dated March 20, 2014, 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 seven persons and is chaired by Mr. Ken Hitzig. Of the current Board, five directors (Messrs. Robert Beutel, Ben Evans, Robert Sandler, John Swidler and Stephen Warden) 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 at the Company's Annual Meeting. The biographies of the directors standing for election at the May 7, 2014 Annual Meeting are set out in the Circular. Messrs. Ben Evans and Robert Beutel have decided not to stand for re-election. Mr. David Beutel will stand for election as a director of the Company for the first time, as will Mr. John Swidler, who was appointed directly by the Board on October 1, 2013. Board members may 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 or elected by the shareholders to the Board. 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 them to determine their suitability. The Board then decides which candidate(s) will 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 2013 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 three 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. Stephen Warden, Chairman, Mr. Robert Beutel and Mr. Ben Evans. Each member of the Audit Committee is financially literate, that is, they are able to read and understand fundamental financial reports and statements. The Charter of the Audit Committee, available on the Company's website, sets out the Committee's responsibilities which include reviewing quarterly and annual financial reports, principally financial statements, 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 2013 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. No such matters were brought to the attention of the Audit Committee in 2013. The Company's Code of Ethics and whistleblower policy are available on its website.

The Compensation Committee is currently composed of Messrs. Robert Beutel, Ken Hitzig and 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 2013 Compensation Discussion and Analysis report to shareholders is included in the Circular. During 2013 there were four 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, fair 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 International Financial Reporting Standards ("IFRS"). The accounting principles which form the basis of the consolidated financial statements and the more significant policies applied are described in note 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 its Audit Committee, 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 Company's financial reports, including 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
February 19, 2014
Toronto, Canada

Independent Auditors' Report to the Shareholders

We have audited the accompanying consolidated financial statements of Accord Financial Corp., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, the consolidated statements of earnings, comprehensive income, changes in equity 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 the 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 entity'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 entity'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 in our audits 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 consolidated financial position of Accord Financial Corp. as at December 31, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants
February 19, 2014
Toronto, Canada

Consolidated Statements of Financial Position

	December 31, 2013	December 31, 2012
Assets		
Cash	**$ 3,442,186**	$ 9,899,015
Factored receivables and loans, net (note 4)	**109,774,608**	108,477,165
Income taxes receivable	**7,871**	148,936
Other assets	**382,017**	112,693
Assets held for sale (note 5)	**4,539,910**	3,306,803
Deferred tax assets, net (note 11)	**1,351,684**	1,340,051
Capital assets (note 6)	**287,552**	350,503
Goodwill (note 7)	**1,022,861**	956,792
	$ 120,808,689	$ 124,591,958
Liabilities		
Due to clients	**$ 5,115,368**	$ 3,873,705
Bank indebtedness (note 8)	**43,368,363**	54,571,784
Accounts payable and other liabilities	**2,275,855**	2,873,969
Income taxes payable	**1,126,493**	934,551
Notes payable (note 9(a))	**14,808,714**	14,491,821
Deferred income	**503,424**	450,638
Deferred tax liability (note 11)	**180,000**	—
	67,378,217	77,196,468
Equity		
Capital stock (note 10)	**6,036,589**	6,036,589
Contributed surplus	**42,840**	42,840
Retained earnings	**47,077,476**	43,170,345
Accumulated other comprehensive income (loss) (note 16)	**273,567**	(1,854,284)
	53,430,472	47,395,490
	$ 120,808,689	$ 124,591,958
Common shares outstanding	**8,221,498**	8,221,498

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	2013	2012
Revenue		
Interest and other income (note 4)	**$ 26,073,541**	$ 25,890,527
Expenses		
Interest	**1,912,493**	1,910,708
General and administrative	**13,844,843**	13,614,707
Provision for credit and loan losses	**438,394**	213,028
Depreciation	**111,800**	126,487
	16,307,530	15,864,930
Earnings before income tax expense	**9,766,011**	10,025,597
Income tax expense (note 11)	**3,228,000**	3,649,000
Net earnings	**$ 6,538,011**	$ 6,376,597
Basic and diluted earnings per common share (note 12)	**$ 0.80**	$ 0.76
Basic and diluted weighted average number of common shares (note 12)	**8,221,498**	8,403,725

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31	2013	2012
Net earnings	**$ 6,538,011**	$ 6,376,597
Other comprehensive income (loss):		
Items that are or may be reclassified to profit or loss:		
Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operation (note 16)	**2,127,851**	(840,839)
Comprehensive income	**$ 8,665,862**	$ 5,535,758

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

	Capital stock					
	Number of outstanding shares	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income	Total
Balance at January 1, 2012	8,718,998	$ 6,401,876	$ 42,840	$ 42,423,832	$ (1,013,445)	$ 47,855,103
Comprehensive income	—	—	—	6,376,597	(840,839)	5,535,758
Dividends paid	—	—	—	(2,592,907)	—	(2,592,907)
Shares repurchased for cancellation	(497,500)	(365,287)	—	(3,037,177)	—	(3,402,464)
Balance at December 31, 2012	**8,221,498**	**$ 6,036,589**	**42,840**	**$ 43,170,345**	**$ (1,854,284)**	**$ 47,395,490**
Comprehensive income	**—**	**—**	**—**	**6,538,011**	**2,127,851**	**8,665,862**
Dividends paid	**—**	**—**	**—**	**(2,630,880)**	**—**	**(2,630,880)**
Balance at December 31, 2013	**8,221,498**	**$ 6,036,589**	**$ 42,840**	**$ 47,077,476**	**$ 273,567**	**$ 53,430,472**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31	**2013**	2012
Cash provided by (used in)		
Operating activities		
Net earnings	**$ 6,538,011**	$ 6,376,597
Items not affecting cash:		
Allowances for losses, net of charge-offs and recoveries	**16,246**	(624,277)
Deferred income	**46,989**	(304,143)
Depreciation	**111,800**	126,487
Loss on disposal of capital assets	**23**	6,177
Deferred tax expense (recovery)	**71,851**	(50,193)
Income tax expense	**3,156,149**	3,699,193
	9,941,069	9,229,841
Changes in operating assets and liabilities		
Factored receivables and loans, gross	**1,031,351**	(20,331,937)
Due to clients	**1,157,849**	364,665
Other assets	**(256,831)**	32,073
Accounts payable and other liabilities	**(596,300)**	(225,981)
Sale of assets held for sale	**8,233**	190,440
Income tax paid, net	**(2,887,182)**	(3,510,614)
	8,398,189	(14,251,513)
Investing activities		
Additions to capital assets, net	**(45,740)**	(46,843)
Financing activities		
Bank indebtedness	**(12,516,731)**	27,550,510
Notes issued (redeemed), net	**267,583**	(103,967)
Repurchase and cancellation of shares	**—**	(3,402,464)
Dividends paid	**(2,630,880)**	(2,592,907)
	(14,880,028)	21,451,172
Effect of exchange rate changes on cash	**70,750**	(107,969)
(Decrease) increase in cash	**(6,456,829)**	7,044,847
Cash at January 1	**9,899,015**	2,854,168
Cash at December 31	**$ 3,442,186**	$ 9,899,015
Supplemental cash flow information		
Net cash used in operating activities includes:		
Interest paid	**$ 1,868,273**	$ 1,878,051

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. The Company's registered office is at 77 Bloor Street West, Toronto, Ontario, Canada.

2. Basis of presentation and statement of compliance

These consolidated financial statements are expressed in Canadian dollars, the Company's functional and presentation currency, and are prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates that are particularly judgmental are the determination of the allowance for losses relating to factored receivables and loans and to the guarantee of managed receivables, as well as the net realizable value of assets held for sale and deferred tax assets and liability (see notes 3(e), 3(o), 4, 5 and 11). Management believes that these estimates are reasonable and appropriate.

The consolidated financial statements of the Company have been prepared on an historical cost basis except for the following items, which are recorded at fair value:

- Cash
- Assets held for sale
- Derivative financial instruments (a component of other assets and/or accounts payable and other liabilities);
- Share appreciation rights ("SARs") liability*; and
- Guarantee of managed receivables*

**a component of accounts payable and other liabilities*

The consolidated financial statements for the year ended December 31, 2013 were approved for issue by the Company's Board of Directors ("Board") on February 19, 2014.

3. Significant accounting policies

(a) *Adoption of new accounting and disclosure policy*

Effective January 1, 2013, the Company adopted IFRS 13 – Fair Value Measurements. IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. The Company adopted IFRS 13 prospectively in its consolidated financial statements for the fiscal year beginning on January 1, 2013, and as a result, there is a new definition of fair value set out in note 3(n) and additional required disclosures. This change had no impact on the measurement of the Company's assets and liabilities.

Effective January 1, 2013, the Company adopted IFRS 12 – Disclosures of Interest in Other Entities ("IFRS12"). IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The adoption of IFRS 12 did not have a significant impact on these financial statements.

Effective January 1, 2013, the Company adopted IFRS 7– Financial Instruments Disclosures ("IFRS 7"). The amendments to IFRS 7 contain new disclosure

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

requirements for financial assets and liabilities that are either offset in the consolidated balance sheets or subject to master netting arrangements or other similar arrangements. The amendments are to be applied retrospectively. The adoption of IFRS 7 did not have a significant impact on these financial statements.

(b) *Basis of consolidation*

These statements consolidate the accounts of the Company and its wholly-owned subsidiaries, namely, Accord Financial Ltd. ("AFL") and Accord Financial Inc. ("AFIC") in Canada and Accord Financial, Inc. ("AFIU") in the United States. The Company exercises 100% control over each of its subsidiaries. The accounting policies of the Company's subsidiaries are aligned with IFRS. Inter-company balances and transactions are eliminated upon consolidation.

(c) *Revenue recognition*

Revenue principally comprises interest, including discount fees, and factoring commissions from the Company's recourse and non-recourse factoring businesses and is measured at the fair value of the consideration received. Discount fees are calculated as a discount percentage of the gross amount of the factored invoice. For receivables purchased in its recourse factoring business, discount fees are recognized as revenue over the initial discount period, while, for non-recourse receivables, a certain portion of the factoring commissions charged are recognized over the period that costs are incurred collecting the receivables. In its recourse factoring business, additional discount fees are charged on a per diem basis if the invoice is not paid by the end of the initial discount period. Interest charged on factored receivables and loans is recognized as revenue using the effective interest method. Other revenue, such as due diligence fees, documentation fees and commitment fees, is recognized as revenue when earned.

(d) *Factored receivables and loans*

Factored receivables and loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Factored receivables and loans are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest method.

(e) *Allowances for losses*

The Company maintains a separate allowance for losses on both its factored receivables and loans and its guarantee of managed receivables. At each reporting date, the Company assesses whether there is objective evidence that the factored receivables and loans or managed receivables are impaired. A factored receivable and loan or a group of factored receivables or loans is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of these asset(s), and that the loss event has an effect on the future cash flows resulting from the factored receivable(s) and loan(s) that can be estimated reliably. At each reporting date, the Company also assesses whether there is objective evidence that a loss event has occurred in respect of the Company's guarantee of managed receivables. A loss event has occurred if there exists objective evidence that a debtor is bankrupt or insolvent and payments, which can be estimated reliably, are required to be made to clients under the Company's guarantees to them.

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.

The Company considers evidence of impairment for factored receivables and loans and managed receivables at both a specific asset and collective level. All factored receivables and loans and managed receivables are first assessed for specific impairment and, if found not to be specifically impaired, they are then collectively assessed for any impairment that has been incurred but not yet identified.

Credit losses on managed receivables are charged to the respective allowance for losses account when debtors are known to be bankrupt or insolvent. Losses on factored receivables and loans are charged to the allowance for losses account when collectibility becomes questionable and the underlying collateral is considered insufficient to secure the loan balance. Recoveries from previously written-off accounts are credited to the respective allowance for losses account once collected. The allowance for losses on factored receivables and loans is recorded at amortized cost, while the allowance for losses on the guarantee of managed receivables is recorded at fair value.

(f) Capital assets

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

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

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

(g) Goodwill

Goodwill arises upon the acquisition of subsidiaries or loan portfolios. Goodwill is not amortized, but an annual impairment test is performed by comparing the carrying amount to the recoverable amount for the cash-generating unit. If the carrying value of the goodwill exceeds its recoverable amount, the excess is charged against earnings in the year in which the impairment is determined.

(h) Income taxes

The Company follows the balance sheet liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized based on temporary differences between the tax and accounting bases of assets and liabilities, as well as losses available to be carried forward to future years for income tax purposes.

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, as well as the available losses carried forward to future years for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income taxes receivable and payable, and deferred tax assets and liabilities are offset if there is a legally enforceable right of set off, they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis, or their tax assets and liabilities will be realized simultaneously.

(i) Foreign subsidiary

The assets and liabilities of the Company's self-sustaining foreign subsidiary are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position 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 and presented in the accumulated other comprehensive income or loss component of equity.

(j) Foreign currency translation

Monetary assets and liabilities denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position date. Any non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates. Revenue and expenses are translated into Canadian dollars at the prevailing average monthly exchange rate. Translation gains and losses are credited or charged to earnings.

(k) Earnings per common share

The Company presents basic and diluted earnings per share ("EPS") for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by dividing net earnings by the diluted weighted average number of common shares outstanding in the year, which comprises the weighted average number of common shares outstanding plus the effects of all dilutive common share equivalents.

(l) Stock-based compensation

The Company accounts for SARs and stock options issued to employees using fair value-based methods. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the SARs and stock options on the grant date. Changes in the fair value of outstanding SARs are calculated at each reporting date, as well as at settlement date. The fair value of the awards is recorded in general and administrative expenses over the awards vesting period, or immediately if fully vested.

(m) Derivative financial instruments

The Company records derivative financial instruments on its consolidated statement of financial position at their respective fair values. Changes in the fair value of these instruments are reported in the statement of 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. The Company has employed only cash flow or economic hedges.

(n) Financial assets and liabilities

Financial assets and liabilities are recorded at amortized cost, with the exception of cash, derivative financial instruments, the SARs liability, and the guarantee of managed receivables, which are all recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly manner between participates in an active (or in its absence, the most advantageous) market to which the Company has access at the transaction date.

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the transaction date on which the Company becomes a party to the contractual provisions.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

(o) *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 recoverable amount (also referred to as "net realizable value").

(p) *Financial Instruments - disclosures*

The financial instruments presented on the consolidated statements of financial position at fair value are further classified according to a fair-value hierarchy that prioritizes the quality and reliability of information used in estimating fair value. The fair values for each of 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.

(q) *Future accounting policies*

IFRS 9 – Financial Instruments will replace the guidance in International Accounting Standard ("IAS") 39 – Financial Instruments Recognition and Measurements in regards to classification and measurement of financial assets. This change will be completed and implemented in three separate phases, which include classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. On November 19, 2013, the effective date for IFRS 9 was deferred, and accordingly, there is not a current effective date. The Company continues to monitor and assess the impact of any further developments.

4. Factored receivables and loans

	2013	2012
Factored receivables	**$ 91,983,961**	$ 93,702,696
Loans to clients	**19,302,647**	16,180,469
Factored receivables and loans, gross	**111,286,608**	109,883,165
Less allowance for losses	**1,512,000**	1,406,000
Factored receivables and loans, net	**$109,774,608**	$108,477,165

The Company's allowance for losses on factored receivables and loans at December 31, 2013 and 2012 comprised only a collective allowance. The activity in the allowance for losses on factored receivables and loans account during 2013 and 2012 was as follows:

	2013	2012
Allowance for losses at January 1	**$ 1,406,000**	$ 1,502,000
Provision for credit and loan losses	**363,062**	359,865
Charge-offs	**(343,628)**	(489,904)
Recoveries	**56,813**	49,761
Foreign exchange adjustment	**29,753**	(15,722)
Allowance for losses at December 31	**$ 1,512,000**	$ 1,406,000

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, 2013, the gross amount of these managed receivables was $62,170,445 (2012 – $87,257,113). At December 31, 2013, management provided an amount of $147,000 (2012 – $207,000) as a collective allowance for losses on the guarantee of these managed receivables, which represents the estimated fair value of the guarantees at those dates. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included in the consolidated statement of financial position.

The activity in the allowance for losses on the guarantee of managed receivables account during 2013 and 2012 was as follows:

	2013	2012
Allowance for losses at January 1	**$ 207,000**	$ 751,000
Provision for credit losses	**75,332**	(146,837)
Charge-offs	**(260,583)**	(406,176)
Recoveries	**125,251**	9,013
Allowance for losses at December 31	**$ 147,000**	$ 207,000

The nature of the Company's business involves funding or assuming the credit risk on receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. These transactions are conducted on terms that are usual and customary to the Company's factoring and lending activities. 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 17(a).

At December 31, 2013, the Company held cash collateral of $609,212 (2012 – $1,939,682) to help reduce the risk of loss on certain of the Company's factored receivables and loans and managed receivables.

The Company considers the allowances for losses on both its factored receivables and loans and its guarantee of managed receivables critical to its financial results (see note 3(e)). As noted above, 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.

In establishing its collective allowances, the Company applies percentage formulae to its factored receivables and loans and managed receivables. The Company reviewed and adjusted its allowance for losses formulae in 2013. The changes in estimate did not have a material impact on the Company's consolidated financial statements.

Interest income earned on factored receivables and loans in 2013 totalled $19,981,868 (2012 – $19,199,260).

5. Assets held for sale

The net realizable value of the assets held for sale at December 31, 2013 and 2012 and movements therein during 2013 and 2012 were as follows:

	2013	2012
Assets held for sale at January 1	**$ 3,306,803**	$ 3,380,258
Acquired	**1,119,510**	—
Disposed	**(113,213)**	—
Foreign exchange adjustment	**226,810**	(73,455)
Assets held for sale at December 31	**$ 4,539,910**	$ 3,306,803

During 2013, the Company obtained title to certain long-lived assets securing a defaulted loan. In 2009, the Company also obtained title to certain long-lived assets securing a defaulted loan. These assets are currently being marketed for sale, or will be shortly, and will be sold as market conditions permit. The net realizable value of the assets at December 31, 2013 and 2012 was estimated based upon professional appraisals of the assets.

6. Capital assets

	Dec. 31, 2013	Dec. 31, 2012
Cost	**$ 2,001,846**	$ 1,993,547
Less accumulated depreciation	**1,714,294**	1,643,044
	$ 287,552	$ 350,503

7. Goodwill

During 2013 and 2012, 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 difference in the goodwill balances reported in the consolidated statements of financial position relates to the translation of the Company's goodwill balance of US$961,697 into Canadian dollars at different prevailing year-end exchange rates.

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, 2013, the amounts outstanding under these lines of credit totalled $43,368,363 (2012 - $54,571,784). The Company was in compliance with all loan covenants under these lines of credit at December 31, 2013 and 2012.

9. Related party transactions

(a) 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, or in the case of one note, a week after requesting repayment, and bear interest at bank prime rate or lower.

Notes payable were as follows:

	Dec. 31, 2013	Dec. 31, 2012
Related parties	**$ 12,956,607**	$ 13,149,701
Third parties	**1,852,107**	1,342,120
	$ 14,808,714	$ 14,491,821

Interest expense on the notes payable was as follows:

	2013	2012
Related parties	**$ 367,811**	$ 379,604
Third parties	**45,100**	32,901
	$ 412,911	$ 412,505

(b) Compensation of directors and key management personnel

The remuneration of directors and key management personnel[1] during 2013 and 2012 was as follows:

	2013	2012
Salaries and directors' fees	**$ 1,976,981**	$ 2,067,392
Share-based payments[2]	**143,650**	57,833
	$ 2,120,631	$ 2,125,225

[1] Key management personnel comprise the Chairman of the Company's Board, the President/Chief Executive Officer of AFC and AFIU, the Presidents of AFL and AFIC, and the Company's Chief Financial Officer.

[2] Share-based payments represent the expense or recovery related to the Company's SARs. Please see note 10.

10. Capital stock, dividends, share appreciation rights, stock option plans and stock-based compensation

(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 with no par value. The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board. At December 31, 2013 and 2012, there were no first preferred shares outstanding.

(b) Issued and outstanding

The Company's issued and outstanding common shares during 2013 and 2012 are set out in the consolidated statements of changes in equity.

(c) Share repurchase program

On August 4, 2011, the Company received approval from the TSX to commence a normal course issuer bid (the "2011 Bid") for up to 446,845 of its common shares at prevailing market prices on the TSX. The 2011 Bid commenced on August 8, 2011 and

terminated on August 7, 2012. Under the 2011 Bid, the Company repurchased and cancelled 446,800 shares acquired at an average price of $6.78 per share for a total consideration of $3,030,599. This amount was applied to reduce share capital by $328,060 and retained earnings by $2,702,539.

On August 3, 2012, the Company received approval from the TSX to commence a normal course issuer bid (the "2012 Bid") for up to 424,594 of its common shares at prevailing market prices on the TSX. The 2012 Bid commenced on August 8, 2012 and terminated on August 7, 2013. Under the 2012 Bid, the Company repurchased and cancelled 268,600 common shares acquired at an average price of $6.81 per common share for a total consideration of $1,829,166. This amount was applied to reduce share capital by $197,218 and retained earnings by $1,631,948. On termination of the 2012 Bid, the Company did not renew its normal course issuer bid.

During 2013, the Company did not repurchase any shares under its issuer bids. During 2012, the Company repurchased and cancelled 497,500 shares acquired under its issuer bids at an average price of $6.84 per common share for a total consideration of $3,402,464. This amount was applied to reduce share capital by $365,287 and retained earnings by $3,037,177.

(d) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During 2013, dividends totalling $2,630,880 (2012 – $2,592,907) or $0.32 (2012 – $0.31) per common share were declared and paid.

On January 28, 2014, the Company declared a quarterly dividend of $0.08 per common share, payable March 3, 2014 to shareholders of record on February 14, 2014.

(e) 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 at the time of grant. 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 but can only exercise their SARs within the 90-day period after they cease to be members of the Board, failing which they will automatically be exercised on the ninetieth day after.

During 2013 and 2012, no SARs were granted by the Company to directors and employees. During 2013, 200,000 SARs were exercised (2012 – nil).

The Company's outstanding and vested SARs were as follows:

Exercise price	Grant date	**Dec. 31, 2013**	Dec. 31, 2012
$7.25	May 7, 2008	**15,000**	57,500
$6.03	July 28, 2009	**32,500**	70,000
$5.50	May 7, 2010	**65,000**	140,000
$7.95	May 4, 2011	**107,500**	152,500
$7.56	July 26, 2011	**5,000**	5,000
SARs outstanding		**225,000**	425,000
SARs vested		**225,000**	342,500

(f) 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. Although the Company may still grant stock options to employees and directors it has not done so since May 2004. No stock options were outstanding at December 31, 2013 and 2012.

(g) Stock-based compensation

The Company recorded a stock-based compensation expense of $370,151 in respect of its outstanding SARs in 2013 (2012 – $86,008). There has been no stock-based compensation in respect of stock options since 2007.

At December 31, 2013, the Company had accrued $234,100 (December 31, 2012 – $294,700) in respect of its liability for outstanding SARs.

11. Income taxes

The Company's income tax expense comprises:

	2013	2012
Current income tax expense	**$ 3,156,149**	$ 3,699,193
Deferred tax expense (recovery)	**71,851**	(50,193)
Income tax expense	**$ 3,228,000**	$ 3,649,000

During 2013 and 2012, the Company's statutory tax rate was 26.5%. The Company's income tax expense varies from the amount that would be computed using the Canadian statutory income tax rate due to the following:

	2013	%
Income taxes computed at statutory rates	**$ 2,587,993**	**26.50**
Increase resulting from:		
Higher effective tax rate on income of subsidiaries	**610,950**	**6.26**
Other	**29,057**	**0.30**
Income tax expense	**$ 3,228,000**	**33.06**

	2012	%
Income taxes computed at statutory rates	$ 2,656,783	26.50
Increase resulting from:		
Withholding tax paid on dividend from AFIU	496,000	4.95
Higher effective tax rate on income of subsidiaries	490,920	4.90
Other	5,297	0.05
Income tax expense	$ 3,649,000	36.40

The tax effects that give rise to the net deferred tax assets as at December 31, 2013 and 2012 are as follows:

	2013	2012
Deferred tax assets:		
Impairment of assets held for sale	**$ 1,139,647**	$ 1,066,035
Allowances for losses	**161,675**	234,143
SARs liability	**62,000**	82,123
Other	**297,808**	222,858
	1,661,130	1,605,159
Deferred tax liabilities:		
Goodwill	**(280,897)**	(237,781)
Capital assets	**(11,000)**	(13,000)
Other	**(17,549)**	(14,327)
	(309,446)	(265,108)
	$ 1,351,684	$ 1,340,051

The tax effects that give rise to the deferred tax liability at December 31, 2013 and 2012 are as follows:

	2013	2012
Deferred tax liability:		
Sale of assets held for sale	**$ 180,000**	$ —

At December 31, 2013, deferred tax liabilities for temporary differences associated with investments in domestic and foreign subsidiaries were not recognized as the Company is able to control the timing of the reversal of the temporary differences, and it is probable

that the temporary differences will not reverse in the foreseeable future.

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

There were no dilutive common share equivalents outstanding during 2013 and 2012 as there were no stock options outstanding. Accordingly, basic and diluted EPS are the same for both years.

13. 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. Pending litigation, or other contingent matters represent potential financial loss to the Company. The Company accrues a potential loss if the Company believes the loss is probable and it can be reasonably estimated. The decision is based on information that is available at the time. The Company estimates the amount of the loss by consulting with the outside legal counsel that is handling the defence. This involves analyzing potential outcomes and assuming various litigation and settlement strategies. It is the opinion of the Company's management, based upon the advice of its counsel, that the aggregate liability from all such litigation will not materially affect the financial position of the Company.

(b) The Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $759,029 at December 31, 2013 (2012 – $390,579). In addition, at December 31, 2013, the Company was contingently liable with respect to letters of guarantee issued on behalf of clients in the amount of $150,000 (2012 - $250,000). These amounts have been considered in determining the allowance for losses on factored receivables and loans.

14. Lease commitments

The Company is committed under operating leases, principally office space leases, which expire between 2014 and 2017. The minimum rental payments under these long-term operating leases, exclusive of certain operating costs and property taxes for which the Company is responsible, are as follows:

2014	$ 339,558
2015	343,890
2016	346,056
2017	167,207
	$ 1,196,711

15. Derivative financial instruments

At December 31, 2013, the Company had entered into forward foreign exchange contracts with a financial institution that must be exercised between January 1, 2014 and February 28, 2014 and which oblige the Company to sell Canadian dollars and buy US$600,000 at exchange rates ranging from 1.0536 to 1.0548. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company will buy Canadian dollars from and sell US$600,000 to the client. The Company did not have any outstanding forward foreign exchange contracts at December 31, 2012.

The favorable and unfavorable fair values of these contracts were recorded on the Company's statement of financial position at December 31, 2013 in other assets and accounts payable and other liabilities, respectively. The fair values of these contracts were classified as Level 2 under IFRS 7. During 2013 there was no movement between the three-level fair value hierarchy described in note 3(p).

16. Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) ("AOCIL") solely comprises the unrealized foreign exchange gain or loss (commonly referred to as cumulative translation adjustment) arising on translation of the assets and liabilities of the Company's foreign subsidiaries that report in U.S. dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Changes in the AOCIL balance during 2013 are set out in the consolidated statements of changes in equity.

17. Financial risk management

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. In the Company's case, credit risk arises with respect to its loans to and other financial transactions with clients, its guarantee of managed receivables, and any other financial transaction with a counterparty that the Company deals with. The carrying amount of these loans and managed receivables represents the Company's maximum credit exposure and is the most significant measurable risk that it faces. The nature of the Company's factoring and asset-based lending business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. Typically, the Company takes title to the factored receivables and collateral security over the other assets that it lends against and does not lend on an unsecured basis. It does not take title to the managed receivables as it does not lend against them, but it assumes the credit risk from the client in respect of these receivables. Credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1.0 million, the Company's President and the Chairman of its Board. Credit in excess of $2.5 million is approved by the Company's Credit Committee, which comprises three independent members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. The Company's primary focus continues to be on the creditworthiness and collectability of its clients' receivables.

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 the invoice date. Of the total managed receivables that the Company guarantees payment, 4.9% were past due more than 60 days at December 31, 2013 (2012 – 4.6%). In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

The Company employs a client rating system to assess credit risk in its recourse factoring business, which assesses, amongst other things, the financial strength of each client and the Company's underlying security, principally its clients' receivables, while in its non-recourse factoring business it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Credit risk is primarily managed by ensuring that, as far as possible, the receivables factored are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. The Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. For a factoring company, the financial strength of its clients' customers is often

more important than the financial strength of the clients themselves. The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases.

In its non-recourse business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. All customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. At December 31, 2013, the Company had not guaranteed accounts receivable in excess of $10 million to any customer.

The Company's credit exposure relating to its factored receivables and loans by industrial sector at December 31, 2013 and 2012 was as follows:

	2013		
Industrial sector (in thousands)		Gross factored receivables and loans	% of total
Financial and professional services	**$**	**43,125**	**39**
Manufacturing		**31,677**	**28**
Wholesale and distribution		**26,884**	**24**
Other		**9,601**	**9**
	$	**111,287**	**100**

	2012		
Industrial sector (in thousands)		Gross factored receivables and loans	% of total
Financial and professional services	$	26,491	24
Manufacturing		53,812	49
Wholesale and distribution		17,303	16
Transportation		2,940	3
Other		9,337	8
	$	109,883	100

The Company's credit exposure relating to its managed receivables by industrial sector at December 31, 2013 and 2012 was as follows:

	2013		
Industrial sector (in thousands)		Managed receivables	% of total
Retail	**$**	**54,300**	**87**
Other		**7,870**	**13**
	$	**62,170**	**100**

	2012		
Industrial sector (in thousands)		Managed receivables	% of total
Retail	$	79,413	91
Other		7,844	9
	$	87,257	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 $118,000,000 have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. At December 31, 2013, the Company had borrowed $43,368,363 (2012 – $54,571,784)

against these facilities. These lines of credit are collateralized primarily by factored receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit as at December 31, 2013. Notes payable are due on demand, or in the case of one note, a week after 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, 2013 and 2012, 88% of these notes were due to related parties and 12% to third parties. Due to clients principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a week of receipt. Accounts payable and other liabilities comprise a number of different obligations, the majority of which are payable within six months.

At December 31, 2013, the Company had gross factored receivables and loans totalling $111,287,000 (2012 – $109,883,000), which substantially exceeded its total liabilities of $67,378,000 at that date (2012 – $77,196,000). 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.

All assets and liabilities, other than capital assets, deferred tax and goodwill, are expected to be settled within 12 months at the values stated in the statement of financial position.

(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$33,000,000 at December 31, 2013. The Company's investment in its U.S. subsidiary is not hedged as it is long-term in nature. Unrealized foreign exchange gains or losses arise on translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary into Canadian dollars each period-end. Resulting foreign exchange gains or losses are credited or charged to other comprehensive income or loss with a corresponding entry to the AOCIL component of equity (see note 16). The Company is also subject to foreign currency risk on the earnings of its foreign subsidiaries that report in U.S. dollars and are unhedged. Based on the Company’s foreign subsidiaries net earnings for the year ended December 31, 2013, 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. It would also change other comprehensive income or loss and the AOCIL component of equity by approximately $330,000.

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, 2013, the Company's unhedged foreign currency positions in its Canadian operations totalled $31,000 (2012 – $129,000). 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 to address short-term imbalances. The impact of a one percent change in the value of its unhedged foreign currency positions

against the Canadian dollar would not have a material impact on the Company's net earnings.

(ii) Interest rate risk

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

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting 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, that exists between interest sensitive assets and liabilities. This gap largely exists because of, and fluctuates with, the quantum of the Company's equity.

The following table shows the interest rate sensitivity gap at December 31, 2013:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	Non-rate sensitive	Total
Assets					
Cash	$ 909	$ —	$ —	$ 2,533	$ 3,442
Factored receivables and loans, net	110,591	—	446	(1,262)	109,775
Assets held for sale	—	—	—	4,540	4,540
All other assets	—	8	—	3,044	3,052
	111,500	8	446	8,855	120,809
Liabilities					
Due to clients	—	—	—	5,115	5,115
Bank indebtedness	10,881	32,487	—	—	43,368
Notes payable	14,809	—	—	—	14,809
All other liabilities	—	1,127	—	2,959	4,086
Equity	—	—	—	53,431	53,431
	25,690	33,614	—	61,505	120,809
	$ 85,810	$ (33,606)	$ 446	$ (52,650)	$ —

18. Capital disclosure

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to equity and its equity to total assets. As a percentage, these ratios were 109% (2012 – 146%) and 44% (2012 – 38%), respectively, at December 31, 2013 indicating the Company's continued financial strength and relatively low degree of leverage. The Company's debt, and leverage, will usually rise with an increase in factored receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at December 31, 2013, 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$25,000,000 and a ratio of total liabilities to TNW of less than 3.0. The Company was fully compliant with its banking covenants at December 31, 2013. There were no changes in the Company's approach to capital management from the previous year.

19. Segmented information

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

2013 (in thousands)	**Canada**	**United States**	**Inter-company**	**Consolidated**
Identifiable assets	**$ 71,652**	**$ 49,189**	**$ (32)**	**$ 120,809**
Revenue	**$ 16,786**	**$ 9,287**	**$ —**	**$ 26,073**
Expenses				
Interest	**1,415**	**497**	**—**	**1,912**
General and administrative	**10,102**	**3,743**	**—**	**13,845**
Provision for credit and loan losses	**718**	**(280)**	**—**	**438**
Depreciation	**85**	**27**	**—**	**112**
	12,320	**3,987**	**—**	**16,307**
Earnings before income tax expense	**4,466**	**5,300**	**—**	**9,766**
Income tax expense	**1,214**	**2,014**	**—**	**3,228**
Net earnings	**$ 3,252**	**$ 3,286**	**$ —**	**$ 6,538**

2012 (in thousands)	Canada	United States	Inter-company	Consolidated
Identifiable assets	$ 60,808	$ 63,784	$ —	$ 124,592
Revenue	$ 17,632	$ 8,278	$ (19)	$ 25,891
Expenses				
Interest	1,625	305	(19)	1,911
General and administrative	10,401	3,214	—	13,615
Provision for credit and loan losses	99	114	—	213
Depreciation	105	21	—	126
	12,230	3,654	(19)	15,865
Earnings before income tax expense	5,402	4,624	—	10,026
Income tax expense	1,950	1,699	—	3,649
Net earnings	$ 3,452	$ 2,925	$ —	$ 6,377

20. Fair values of financial assets and liabilities

Any financial assets or liabilities recorded at cost are short term in nature and, therefore, their carrying values approximate fair values. Under the fair value hierarchy, factored receivables and loans are classified as Level 3.

21. Subsequent events

On January 31, 2014, the Company acquired 100% of Varion Capital Corp., a Canadian lease finance company, for a total consideration of $4,999,995. Varion has been financing equipment for small- and medium-sized businesses since 2004. This acquisition expands the range of asset-based financial services offered by Accord to include leasing. The Company has not finalized its initial accounting of the acquisition as it has yet to complete the valuation of acquired assets, including intangibles and goodwill, and assumed liabilities. Other than the above noted acquisition, and the dividends disclosed in note 10(d), there were no subsequent events occurring after December 31, 2013 that required disclosure.

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]
John J. Swidler, Montreal, Quebec
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
Simon Hitzig, Vice President

Subsidiaries

Accord Financial Ltd.
Simon Hitzig, President

Accord Financial Inc.
Fred Moss, President

Accord Financial, Inc.
Tom Henderson, President

Varion Capital Corp.
Simon Hitzig, 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
HSBC Bank Canada

Stock Exchange Listing

Toronto Stock Exchange
Symbol: ACD

Registrar & Transfer Agent

Computershare Trust Company of Canada

Annual Meeting

The Annual Meeting of Shareholders will be held ***Wednesday, May 7th, 2014*** *at 4:15 pm at The Toronto Board of Trade First Canadian Place, Toronto, Ontario*

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