Annual Report 2014

DISTINCTIVE DEPENDABLE DRIVEN

Distinctive Dependable Driven

Accord Financial Corp. is one of North America's leading independent finance companies providing distinctive working capital solutions to companies from coast to coast. Whether our clients are shifting into growth mode, or restructuring and rebuilding, Accord is there keeping business liquid.

Our flexible finance programs cover the full spectrum of asset-based lending, from factoring and inventory finance, to equipment leasing and trade finance. While our programs are tailored to the needs of each client, our goal remains the same: to allow our clients to transform their accounts receivable, inventory and equipment into valuable working capital, which fuels their next phase of growth.

Accord's nearly forty years of experience allows us to serve a broad base of the continent's most dynamic industries with confidence. And our exceptional financial strength makes us the lender of choice for private equity partners, finance professionals and their client companies looking to seize opportunity and drive success.

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Complete Spectrum of Financing Solutions

Asset-based lending

Accord's asset-based lending serves companies of all sizes across North America. Our flexible ABL solutions allow clients to unlock working capital from their accounts receivable, inventory and equipment. Accord also provides financing solutions to other lending companies, enabling them to grow more quickly than they would with more traditional funding. Nearly 40 years of superior service combined with exceptional financial strength makes us the most reliable finance partner for companies positioning for their next phase of growth.

Credit protection & receivables management

Accord is one of North America's most experienced firms providing complete receivables management services. For nearly 40 years we've served small- and medium-sized businesses with flexible, cost-effective, risk-free credit guarantees and collection services. With complete coverage of the U.S. and Canada, and strong alliances worldwide, we have the knowledge, expertise and connections to deliver superior results across all industries.

Lease financing

Accord finances equipment for small- and medium-sized business, serving a broad base of Canada's most dynamic industries, from forestry and energy, to construction and manufacturing. Our success has been built on our commitment to supporting SMEs directly and on our strong relationships with regional and national equipment vendors. Like all of our services, we're proud to provide a flexible approach to financing business that may be underserved by the major banks.

International trade financing

Since 1978, Accord has been a leader in cross-border trade, simplifying supply chain finance for importers and exporters. Our unique AccordOctet program provides trade 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 banks and trade finance firms in 75 countries worldwide.

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 Accord earns $477,000. It would be the first of 33 consecutive years of profitability.

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 in the U.S., and 100% of Montcap Financial Corp. in Canada, establishing a complete North American presence.
- Factoring volume reaches a peak of $1.1 billion in 1993.

1994 – 1998

- In 1996 Accord acquires the balance of Accord Financial, Inc. (formerly JTA Factoring). The Company also acquires Skyview International Finance Corp. which specializes in import finance.
- In 1998 the Company acquires the factoring portfolio of Richards Capital Corp., Dallas.
- In 1998 Accord celebrates its 20th anniversary with record earnings. Shareholders' equity reaches $27.8 million.

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 of $7.6 million in 2004. A special one-time dividend of $1.50 is paid, putting $14.6 million back in the hands of shareholders.
- In 2005 the Company acquires iTrade Finance, a specialty company financing international transactions.
- In 2008 Accord marks its 30th anniversary, but the celebrations are muted by a sharp economic downturn. A strong 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 2013 Accord marks its 35th year in business. The Company's dividend payout reaches 32 cents per share per annum, marking 26 years of continuous dividends for its shareholders.

2014 –

- Completed the strategic acquisition of Varion Capital Corp., a Canadian lease finance company on January 31, 2014.
- 2014 is another record-breaking year, with record factoring volume of $2.2 billion, average funds employed of $143 million and adjusted earnings per share of 98 cents.
- Dividend payout increased to 33 cents per share per annum, the 27th year of continuous dividends to shareholders.

Accord in Action – Keeping Business Liquid

"Accretive Solutions needed a financing arrangement that was easy to administer operationally. The Accord Financial team was interested in our challenges. They got to know us and the operational obstacles we were facing. Accord then came up with a great solution for us.

The relationship is now in its third year. Not only do we appreciate the way our facility was structured from the start but, also, Accord is always responsive and interested in helping us to be successful. We truly value our excellent working relationship with Accord."

~ **JoAnn Lilek**, Chief Financial Officer
Accretive Solutions

"We are very happy with the results . . . the financial support has made it possible to save many specialized jobs and provide a strong base for our growth."

~ **Robert J. Bélanger**, President
Belt-Tech Products Inc.

"My experience working with Accord Financial has been nothing short of exceptional, and I am pleased to recommend the company and its many talented professionals with my highest regard. Business owners should take great comfort knowing that Accord Financial operates with integrity, transparency, and efficiency not typically found in the middle market. The uncertain and constantly evolving banking landscape has resulted in many entrepreneurs uncertain about where to turn for liquidity to operate their company, or growth financing to pursue attractive expansion opportunities. Accord is not only a solution to these issues, but a valued added financial partner with the experience and perspective to help companies reach their potential."

~ **Tom Mills**, Managing Director
FocalPoint Partners, LLC

"I would highly recommend Accord Financial to any company that needs financing. To be very blunt, I know that I would not be in business today if Accord did not show tremendous patience with my company and myself during very tough times early on."

~ **Marc Regenstreif**, President
Twelve Ounce

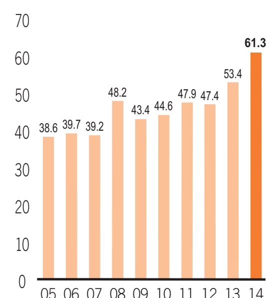
"Trident Labs has been financing with Accord since Jan 2012. Accord has acted as a true business partner, taking the time to understand our company and industry. The relationship has been straightforward and uncomplicated. Accord was flexible and reasonable, even when asked to make certain short-term allowances along the way. They were right by our side, helping us grow. I have worked with numerous banks and financing firms in my career and I can honestly say it is a pleasure to work with the very professional and knowledgeable staff at Accord. I am and we are pleased to highly recommend Accord."

~ **Scott Bowen**, President/Managing Director
SHB Consulting Group, Acting CFO,
Trident Labs, Inc.

Zigi Canada is enjoying growing success in the fast-paced, highly competitive world of fashion footwear. Success in Canada led the team to create Northern Royalty, with several new lines aimed at the US market. The challenge was to protect the growth path in Canada while also seizing the US opportunity.

"Zigi is in a very competitive business. To succeed we must focus our energy on sourcing original and exciting styles, and building relationships with key retail partners on both sides of the border. Fast turn-around in every area is essential. Accord gives us quick credit decisions, credit protection, and keeps our receivables turning – allowing us to focus on growth. When we looked to break into the US market, it made sense to go there with Accord on our side."

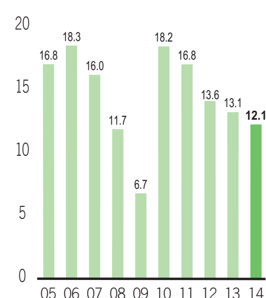
~ **Michael Bogdan**, President
Zigi Canada Ltd.



Equity

(in millions of dollars)

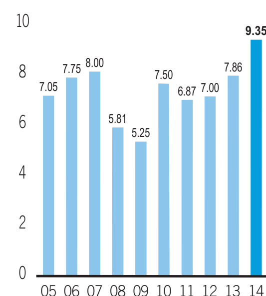
Equity increased to a record $61.3 million at December 31, 2014. Book value per share of $7.38 was also a record high.



Return on Average Equity

(as a percent per annum of average equity)

Return on average equity ("ROE") was a reasonable 12.1% in 2014. ROE declined in 2013 despite a rise in net earnings as equity rose at a faster rate. Adjusted ROE was 14.3% (2013 – 13.6%).



Share Price

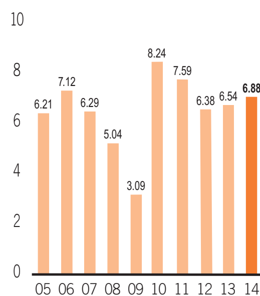
(at close on December 31)

Accord's share price closed 2014 at $9.35, up 19% from $7.86 last year-end.

ACCORD FINANCIAL
Keeping Business Liquid

Three Year Financial Highlight Summary

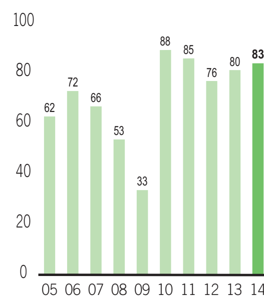
	2014	2013	2012
Operating Data Years ended December 31 (in thousands of dollars except where indicated)			
Factoring volume (in millions)	**$ 2,160**	$ 1,860	$ 1,865
Revenue	**30,235**	26,074	25,891
Net earnings	**6,879**	6,538	6,377
Adjusted net earnings	**8,113**	6,783	6,434
Return on average equity	**12.1%**	13.1%	13.6%
Adjusted return on average equity	**14.3%**	13.6%	13.7%
Financial Position Data At December 31 (in thousands of dollars)			
Average funds employed	**$ 142,706**	$ 110,884	$ 106,441
Total assets	**154,624**	120,809	124,592
Equity	**61,332**	53,430	47,395
Common Share Data (per common share)			
Earnings per share - basic and diluted	**$ 0.83**	$ 0.80	$ 0.76
Adjusted earnings per share - basic and diluted	**0.98**	0.83	0.77
Dividends paid	**0.33**	0.32	0.31
Share price - high	**10.75**	9.25	7.15
- low	**7.85**	6.84	6.50
- close at December 31	**9.35**	7.86	7.00
Book value at December 31	**7.38**	6.50	5.76



Net Earnings

(in millions of dollars)

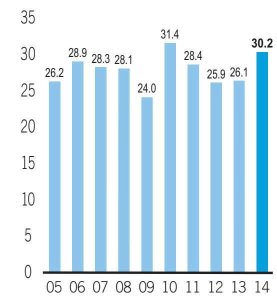
Net earnings totalled $6.88 million in 2014, 5% above the $6.54 million earned in 2013. Adjusted net earnings rose 20% to a record $8.11 million in 2014.



Diluted Earnings per Share

(in cents)

Diluted earnings per share were 83 cents in 2014, 4% higher than the 80 cents earned in 2013. Adjusted EPS rose 18% to a record 98 cents in 2014.



Revenue

(in millions of dollars)

Revenue was $30.2 million in 2014, 16% higher than last year's $26.1 million.

Chairman's Letter to the Shareholders

I'm pleased to report that Accord had another successful year in 2014. Our gross revenue rose by 16% to $30.2 million on record volume ($2.16 billion) and average funds employed ($143 million). Business acquisition costs and amortization of intangibles amounted to $570,000 in 2014 by virtue of our acquisition of Varion Capital. Provision for credit and loan losses were well controlled and amounted to only 2.1% of revenue. Net earnings were $6,879,000 or 83 cents per share in 2014 compared with $6,538,000 or 80 cents per share in 2013. Adjusted net earnings (net earnings excluding non-operating expenses such as stock-based compensation, business acquisition costs and withholding tax) were a record $8.1 million, or 98 cents per share in 2014, compared to $6.8 million, or 83 cents per share the previous year. Accord now provides four different types of service: asset-based lending (including factoring and rediscounting), credit protection and receivables management, lease financing and international trade finance. With the exception of our leasing division, which just completed its first year with Accord, all divisions contributed profit to our bottom line.

Notwithstanding the competitive nature of the two national markets in which Accord operates, the Canadian one was more generous to us in 2014 than the American. Management in our U.S. operation faced much stronger headwinds. Top line revenue growth in Canada was almost 23%; the comparable figure in the U.S. was just 3% in 2014. Earnings before interest, taxes, depreciation and amortization (EBITDA) rose from $5,966,000 in 2013 to $8,123,000 in 2014 for the Canadian operation. EBITDA for the U.S. operation declined from $5,824,000 in 2013 to $5,341,000 in 2014. The combined EBITDA rose from $11,790,000 in 2013 to $13,443,000 in the latest year, a gratifying increase of 14%.

The U.S. dollar exchange rate had a positive impact on Accord. It closed the year at 1.16 Canadian dollars versus 1.06 at the end of 2013. As a significant part of our assets and income are in U.S. dollars, this change resulted in a corresponding increase in the valuation and translation of these items in our financial statements. Accord's book value per share at December 31, 2014 was at a record $7.38; it was $6.50 a year earlier. The 2013 year-end closing price of Accord's shares was $7.86. By the close of 2014 it was $9.35. Considering the Company's payment of 33 cents per share in dividends during the year, this results in a total return of 23% for 2014. Accord's equity at December 31, 2014 was also a record $61.3 million, an increase of almost $8 million from the equity of $53.4 million at December 31, 2013. The Company's quarterly dividend was raised to 8.5 cents per share commencing with the September 2014 payment.

Accord is a long-time member of Factors Chain International (FCI), a worldwide network of factoring companies. The 2014 Annual General Meeting was held in June in Vancouver, and Accord was a co-host. Accord has a correspondent relationship with many

overseas members; they use us to handle their export credits to Canada and the U.S. We had several dinners/receptions for our correspondents, most of whom had praise for Accord's excellent service and for the beauty of the city. We thanked them for their comments and patronage, but declined to take the credit for Vancouver's beauty.

At this writing, the economies of Canada and the U.S. are going in the right direction, but at different speeds. The Canadian economy began to lose momentum during the year and by year-end was sputtering. The U.S. economy was on an upward trend throughout the year. In Canada, a major component of the economy is resource-based and as the year unfolded, it became apparent that there was a worldwide glut of oil. The American economy is much less concentrated in resources, and progressed very nicely as the year went along. As we enter 2015, we will be under pressure to grow our Canadian business, but more optimistic about our American business. Our senior management is busy developing new products and services which we aim to roll out during the year. Accord has a great opportunity to grow, in both Canada and the U.S. There are two crucial ingredients we need to achieve a growth strategy: funding for an expanding portfolio, and human capital. Accord is fortunate to have both. We have bank lines in excess of $135 million, of which less than half was drawn down at year-end. And we have over 100 dedicated and talented employees, many of whom have been with us for decades.

My thanks go to our President, Tom Henderson, who has led his management team with great skill. I'm grateful as well to our operating managers who faced headwinds all year and still produced excellent results. And to our directors and shareholders, your continued support is greatly appreciated. Tom and I look forward to seeing you at our Annual Meeting, May 6, 2015.

Ken Hitzig
Chairman of the Board

Toronto, Ontario
February 27, 2015

Message from the President and CEO

In last year's annual report I expressed more confidence in 2014 for Accord than for the global economy. My confidence was well placed as we strengthened your Company while the world weakened in several respects.

The global economy is currently absorbing a surprising fall in the price of oil creating winners and losers among countries and industries. Fallout from sharp currency movements is shaping up to be a huge challenge for 2015. Alongside that is the stagnant Eurozone with its fight against deflation and battle to keep Greece (among possibly others) in the family. Contributing to near term matters that will influence the financial shape this year is the continuing Russian inspired conflict in the Ukraine and the never ending dramas being played out in the Middle East led by the seemingly endless Iran nuclear negotiations. Staying abreast of global political and economic matters is both disheartening and exhausting. Keeping up with Accord's accomplishments is refreshing. So let's move on to that topic.

The popularity of the Accord brand keeps growing. Witness a record level of incoming inquiries in 2014. Eventually all clients leave us, so a healthy pipeline of new clients is critical to our growth. Our clear principles, strong reputation and brand image are the foundation for this success. Our competitors rarely think much about branding. Instead, to get new business, they hire a large sales force that is charged with finding prospective clients. That is expensive, undifferentiated, and materially slows the closing process. Accord's business model relies on a focused team of high level executives to generate and respond to new business enquiries.

Prospects and clients always deal with decision-makers. Increasingly our incoming inquiries arise from our growing database of referral sources who hear from us often via email, postal mail and "staying in touch" phone calls. Investments we have made in branding are paying off and will grow as we add new capabilities and products.

Besides record business activity and adjusted earnings per share in 2014, we have strengthened your Company by:

- successfully integrating the Canadian factoring portfolio we bought in the fourth quarter of 2013.
- acquiring Varion, a Canadian leasing company, in the first quarter of 2014.
- holding our third annual Enterprise Value Enhancement meeting during the fourth quarter of 2014.
- strengthening management by adding several experienced individuals with specific industry experience we needed to compete more effectively.
- selling most of our real estate held for sale.
- maintaining a strong focus on a good quality asset portfolio, ending the year with near record low charge-offs.

The acquisition of Varion mentioned above has enabled Accord to enter the equipment leasing business for the first time in its 37 year history. Varion, based in

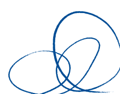
Vancouver, provides lease and loan financing to small Canadian businesses which span a wide variety of industries. These businesses, which have limited access to bank financing, are then able to purchase the equipment they need for their operations. It has proprietary deal flow, a conservative approach to credit risk and a first class streamlined operation. With the addition of Accord's capital this financial services company is now accelerating its growth. Under our first year of ownership, Varion has:

- implemented a faster and more flexible approval and funding process.
- with Accord's financial strength, carefully increased its average deal size as its portfolio has grown.
- expanded its market reach into Ontario and eastern Canada.
- developed new relationships with regional and national equipment vendors.
- begun using its west coast presence to cross-sell other Accord financial services.

We are pleased with the performance of Varion and remain alert to other acquisition opportunities in both Canada and the U.S.

The volume of receivables processed in 2014 was a record $2.16 billion. Average funds employed were also a record $143 million in 2014 compared with $111 million in 2013. All this resulted in revenue rising to a near-record $30.2 million. Interest and overhead expenses were higher in 2014, as was the provision for credit and loan losses. Net earnings for 2014 climbed to $6,879,000, or 83 cents per share, compared with the $6,538,000 earned in 2013, or 80 cents per share. Adjusted net earnings (earnings before deducting non-operating expenses) were $8.1 million in 2014, well ahead of the $6.8 million adjusted net earnings in 2013. Adjusted EPS were a record 98 cents in 2014 versus 83 cents in 2013. Dividends paid amounted to 33 cents per share in 2014 versus 32 cents the prior year.

At our third annual Enterprise Value Enhancement meeting last November, our management reviewed and endorsed a number of initiatives to accelerate the growth in our business. I trust you will remain satisfied with your investment in Accord and hope we will have an opportunity to meet at our Annual General Meeting to be held May 6, 2015. Should you be able to attend, our chairman and founder, Ken Hitzig, our directors and our senior management team will be very happy to see you.



Tom Henderson
President and Chief Executive Officer

Toronto, Ontario
February 27, 2015

Distinctive Dependable Driven

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 head of asset-based lending (ABL) for the U.S.A.; **Simon Hitzig**, Head of Accord's credit protection and receivables management services division, and its lease finance division; **Fred Moss**, Head of ABL for Canada; and **Stuart Adair**, Senior Vice President, Chief Financial Officer.*

Ken Hitzig acted as moderator.

Ken:
Simon heads up our credit protection and receivables management services division; let's start with him. How was 2014 for you?

Simon:
We didn't set the world on fire, but we did okay. We had been sliding backward since 2011, but we stopped the slide in 2014, and actually increased our volume by seven percent. However, our revenue actually declined by five percent. Our overhead expenses were reduced, but our credit and loan losses were a little too high for my liking.

Ken:
Your volume went up, but your revenue went down. Why is that?

Simon:
Actually, our domestic volume declined by about nine percent, but it accounts for over half our volume. Our international volume, however, jumped forty percent, pushing our total volume up seven percent. Unfortunately our commission revenue for international business is about half the average commission for domestic business.

Ken:
Please explain your comment on credit losses.

Simon:
Our charge-offs were eight basis points of volume; it was only three basis points the previous year. Most of the damage was caused by a rash of retail-store bankruptcies in Quebec.

Ken:
The Canadian arm of Target Stores filed for liquidation in January, 2015. This was quite a surprise. Did Accord get hit?

Simon:
We took a modest write-off. It could have been a lot worse, but we didn't get much demand for credit coverage near the end.

Ken:
Let's turn to ABL. Fred, you're in charge of this division in Canada. How was your year?

Fred:
We just completed 24 years of existence; 2014 was the best year we've ever had. Our revenue and funds employed hit record highs, and we contributed a little over half of the Company's total earnings.

Ken:
I knew you had a good year; I didn't know it was that good. Give us some specifics.

Fred:
Apparently everything that could go right, did. Revenue was up 21% over 2013, our provision for loan losses fell to only $205,000, and our return on shareholder's equity went from 16% in 2013 to almost 23% in 2014.

Ken:
Fred, your division also does rediscounting. For the benefit of our readers, rediscounting involves financing, by Accord, of the receivables already funded by independent financiers. Why do they come to us?

Fred:
These financiers have a difficult time obtaining bank accommodations to support their operations. This segment of our business has grown over the years and now accounts for about half of our total funds employed.

Ken:
Tom, you're the head of ABL in the U.S.A. How did the year turn out for you?

Tom:
We experienced very intense competition last year. Too much money chasing too few deals. As you can imagine, this has a tendency to drive down pricing. Our top line fell about eight percent in U.S. dollar terms. But we had a very good grip on our overhead expenses so our EBITDA was quite healthy. It didn't hurt that the U.S. dollar rose by almost ten cents against the Canadian dollar during the year, giving a further boost to the bottom line and increasing revenue in Canadian dollar terms by 3%.

Ken:
Your underwriting was unbelievable in 2011, 2012 and 2013. How did you do in 2014?

Tom:
We had no charge-offs for the fourth straight year.

Ken:
Some people would say you're not taking enough risk. What's your response to that?

Tom:
I like my system. To be fair, we've taken our share of hits in the past. Nobody's perfect.

Ken:
I see you've added some people in 2014. Tell us about that.

Tom:
That was part of our strategy, to add specialists to our mid-level and upper-level management team. Terry Keating came on board as an Executive Vice President in the first quarter of 2014 and he has relieved me of many of my chores. We added two more persons, one of whom is in our marketing team. As you know, we no longer have outside business development people; we do all our marketing in-house.

Ken:
I'd like to turn now to our new leasing division headed up by Simon. How is it going, Simon?

Simon:
We acquired Varion Capital at the end of January 2014, so we didn't get a full year of operations. Varion is in

equipment finance and leasing. The company is managed by a terrific team in Vancouver. At the moment, the portfolio is concentrated in British Columbia and Alberta, and serves industries like transport, forestry, construction, mining, and so on. We have recently established representation in Ontario and Atlantic Canada, so the outlook for growth is very promising.

Ken:
Are they profitable?

Simon:
Year one was in the red, mainly due to amortization of certain acquisition costs. But on a cash basis they were in the black.

Ken:
Accord's senior management met for the third annual Enterprise Value Enhancement sessions in November. This is a two day event. Tom, can you elaborate a little on this?

Tom:
These sessions are designed to develop medium and long-term strategy for Accord. These are not planning or budgeting sessions. We look farther down the road and basically address issues like: what businesses do we want to be in; what industries can we serve that we do not serve now; what can we do to broaden our brand; and so on. The focus is on enhancing our shareholder value.

Ken:
Our shareholders will notice that we have been reporting our earnings consistent with International Financial Reporting Standards. We recently added items called "Adjusted Net Earnings" and "Adjusted Earnings Per Share" ("EPS"). Stuart, can you explain that?

Stuart:
Adjusted net earnings are net earnings before stock-based compensation, business acquisition expenses (mainly amortization of intangibles) and, in 2014, withholding tax paid on a dividend received from the Company's U.S. subsidiary. Adjusted EPS is adjusted earnings divided by the weighted average number of shares outstanding.

Ken:
Why is it important to use this measure?

Stuart:
Management believes adjusted net earnings is a more appropriate measure of operating performance as it excludes items which do not relate to ongoing operating activities and so truly reflects the Company's day-to-day operating results. Many, if not most, financial service companies now present adjusted earnings in one form or another.

Ken:
So how did we do?

Stuart:
Adjusted net earnings rose 20% to $8.1 million in 2014, while adjusted EPS increased 18% to a record 98 cents.

Ken:
I'd like to circle back to our Roundtable panelists and pose the question: What do you see for your division for 2015? Simon, can you look into your crystal ball and tell us where you're heading?

Simon:
After running downhill for three years, we stabilized

our business in 2014. I believe we're on a rising tide right now although it may take several years to get back to the level of business we enjoyed four years ago, but we're on our way. We're going to introduce new products and services to the business community in 2015 and that may give us a refreshing boost.

Ken:
Fred, you may have a tough time duplicating your banner results of 2014. What do you think?

Fred:
I think you're right; but we sure are going to try. The Canadian economy is not as buoyant at the beginning of this year as it was last year. We also benefited from very good underwriting in 2014 and recorded a very low provision for loan losses. As a result, it will be a challenge to beat last year's bottom line. However, we have the horsepower to do it, so I'm optimistic about 2015.

Ken:
Tom, your results for 2014 were very good. It didn't hurt that you had the fourth straight year with no charge-offs. Obviously, you can't improve in that department. What's your prognosis for 2015?

Tom:
I suppose we could loosen our credit standards somewhat in order to drive new business. But that isn't going to happen on my watch. However, we have instituted structural changes in our U.S. operation, concentrating on new business development, and I'm confident we will have very good results from these changes. The Accord brand has been growing steadily and we will benefit from that as well.

Ken:
Tom, you often use the word "distinctive" to describe Accord. What do you mean by that?

Tom:
We're not like other independent lenders. Our exceptional financial strength and focused executive team makes us a faster, more dependable partner to clients and referral sources.

Ken:
Stuart, tell us about Accord's financial strengths, the credit facilities available to us and the impact of potential increases in interest rates on Accord's profitability.

Stuart:
We have four banks providing us with lines of credit amounting to approximately $136 million. Our loans at year-end were $64 million, and we had cash balances of $7 million. We have a long way to go to reach our limit. As far as I can tell, interest rates will ultimately rise, but the experts say it certainly won't be until the third quarter, at the earliest. As most of the Company's equity, as well as borrowings, is deployed in floating rate ABL loans, an increase in interest rates will lead to higher revenue that will substantially exceed the rise in interest expense. I would also mention the Company stands to benefit from a stronger U.S. dollar in 2015 as its U.S. operating results are translated into Canadian dollars; the increase in the U.S. dollar has been considerable to date in 2015.

Ken:
I hope our investors are now better informed about what we do, and what we expect to do. Thank you, gentlemen, and keep up the good work.

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, 2014 compared with the year ended December 31, 2013 and, where presented, the year ended December 31, 2012. 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 27, 2015, should be read in conjunction with the Company's 2014 audited consolidated financial statements (the "Statements") and notes thereto, the Ten Year Financial Summary (see page 27) and the Chairman's Letter and President's Message to the Shareholders, all of which form part of this 2014 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"), although a number of non-IFRS measures are used (see below). 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 in this MD&A. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using them 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 the key performance indicators used in monitoring its operating performance and financial position. 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 annual net earnings available to common shareholders as a percentage of the average equity employed in the year to earn the income. The Company includes all components of equity to calculate the average thereof;

ii) Adjusted net earnings, adjusted earnings per common share and adjusted ROE – adjusted net earnings presents net earnings before stock-based compensation, business acquisition expenses (namely, business transaction and integration costs and amortization of intangibles) and withholding

tax paid on cross-border dividends from the Company's U.S. subsidiary to it. The Company considers these items to be non-operating expenses. Management believes adjusted net earnings is a more appropriate measure of operating performance than net earnings as it excludes items which do not relate to ongoing operating activities. Adjusted earnings per common share is adjusted net earnings divided by the weighted average number of common shares outstanding in the year, while adjusted ROE is adjusted net earnings for the year expressed as a percentage of average equity employed in the year;

iii) 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;

iv) Profitability, yield and efficiency ratios – Table 1 on page 14 presents certain profitability measures. In addition to ROE, and Adjusted 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;

v) Financial condition and leverage – Table 2 on page 16 presents the following percentages: (i) tangible equity (equity less goodwill, intangible assets 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

vi) Credit quality – Table 3 on page 19 presents information on the quality of the Company's total portfolio, namely, its finance 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. Receivables turnover (in days) and the percentage of managed receivables past due are also presented in Table 3.

Accord's Business

Accord is a leading North American provider of asset-based financial services to businesses, including asset-based lending (including factoring), credit protection and receivables management, supply chain financing for importers and, with the acquisition of Varion Capital Corp. ("Varion"), lease financing and equipment lending. The Varion acquisition is discussed below. The Company's financial services are discussed earlier in this Annual Report. Its clients operate in a wide variety of industries, examples of which are set out in note 19(a) to the Statements.

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

Results of Operations

Years ended December 31 (in thousands unless otherwise stated)		2014	% of Revenue		2013	% of Revenue	% change from 2013 to 2014
Factoring volume (millions)	$	2,160		$	1,860		16%
Revenue							
Interest and other income	$	30,235	100.0%	$	26,074	100.0%	16%
Expenses							
Interest		2,523	8.3%		1,913	7.3%	32%
General and administrative		16,154	53.5%		13,845	53.1%	17%
Provision for credit and loan losses		639	2.1%		438	1.7%	46%
Depreciation		125	0.4%		112	0.4%	12%
Business acquisition expenses							
Transaction and integration costs		119	0.4%		—	—	n/m
Amortization of intangibles		451	1.5%		—	—	n/m
		20,011	66.2%		16,308	62.5%	23%
Earnings before income tax expense		10,224	33.8%		9,766	37.5%	5%
Income tax expense		3,345	11.1%		3,228	12.4%	4%
Net earnings	$	6,879	22.7%	$	6,538	25.1%	5%
Basic and diluted earnings per common share	$	0.83		$	0.80		4%

n/m – not meaningful

The Company's business principally involves: (i) 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; (ii) lease financing and equipment lending by Varion; and (iii) non-recourse factoring by AFL, which principally involves providing credit protection and collection services, generally without financing.

Acquisition of Varion Capital Corp.

On January 31, 2014, the Company completed the strategic acquisition of Varion, a Canadian lease finance company, for a total purchase consideration of $5,029,000, which comprised cash of $4,170,000 and equity consideration of $859,000 paid through the issuance of 86,215 common shares of Accord at a price of $9.97 per share (being the closing price of Accord's shares on the above date). The assets acquired and liabilities assumed in the acquisition are set out in note 4 to the Statements. Notes 8 and 9 also provide details of the intangible assets and goodwill acquired.

The acquisition expands the range of asset-based financial services offered by Accord to include equipment leasing and loans. 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 enables 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.

Selected Annual Information

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

	2014	2013	2012
Revenue	$ 30,235	$ 26,074	$ 25,891
Net earnings	6,879	6,538	6,377
Basic and diluted earnings per share	0.83	0.80	0.76
Dividends per share	0.33	0.32	0.31
Total assets	$154,624	$120,809	$124,592

Results of Operations

Fiscal 2014: *Year ended December 31, 2014 compared with year ended December 31, 2013*

Net earnings in 2014 increased by $341,000 or 5% to $6,879,000 compared to the $6,538,000 earned in 2013 and were $502,000 or 8% above the $6,377,000 earned in 2012. Net earnings compared to 2013 and 2012 rose on higher revenue. The stronger U.S. dollar in 2014 increased the Canadian dollar equivalent of net earnings from our U.S. operations by approximately $250,000 compared to 2013.

Earnings per common share ("EPS") increased by 4% to 83 cents compared to 80 cents last year and were 9% higher than the 76 cents earned in 2012. The Company's ROE decreased to 12.1% in 2014 compared to 13.1% last year and 13.6% in 2012. ROE declined despite a rise in net earnings as average equity rose at a faster rate.

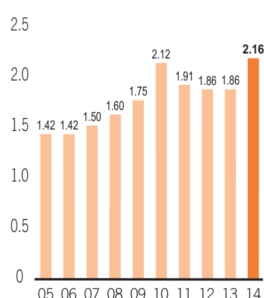
Adjusted net earnings in 2014 totalled $8,113,000, 20% higher than last year's $6,783,000 and 26% above the $6,434,000 in 2012. Adjusted EPS were a record 98 cents in 2014, 18% above the 83 cents in 2013 and 27% above the 77 cents in 2012. Adjusted ROE improved to 14.3% in 2014 compared to 13.6% in 2013 and 13.7% in 2012. The following table provides a reconciliation of net earnings to adjusted net earnings:

Years ended Dec. 31 (in thousands)	**2014**	2013	2012
Net earnings	**$ 6,879**	$ 6,538	$ 6,377
Adjustments, net of tax			
Stock-based compensation expense	**256**	245	57
Business acquisition expenses	**419**	—	—
Withholding tax expense	**559**	—	—
Adjusted net earnings	**$ 8,113**	$ 6,783	$ 6,434

Factoring volume in 2014 rose 16% to a record $2.16 billion compared to $1.86 billion last year.

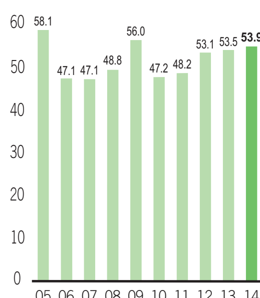
Revenue rose by $4,161,000 or 16% to $30,235,000 in 2014 compared to $26,074,000 in 2013 and was $4,344,000 or 17% higher than the $25,891,000 in 2012. Revenue increased compared to 2013 and 2012 on higher funds employed and factoring volume, as well as revenue from Varion. Varion revenue totalled $1,448,000 in the eleven months since its acquisition. The stronger U.S. dollar in 2014 increased the Canadian dollar equivalent of revenue from our U.S. operations by approximately $650,000 compared to 2013.

Interest expense rose by 32% to $2,523,000 in 2014 from $1,913,000 last year as average borrowings increased



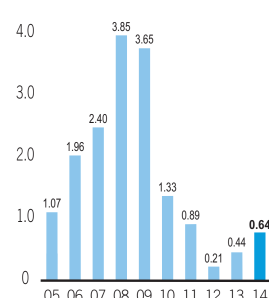
Factoring Volume
(in billions of dollars)

Factoring volume increased 16% to a record $2.16 billion in 2014.



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

Operating expenses rose slightly to 53.9% of revenue in 2014 from 53.5% last year.



Provision for Credit and Loan Losses
(in millions)

The provision was a very acceptable $0.64 million in 2014. It was the third lowest in the last ten years.

mainly to finance higher funds employed and, to a lesser extent, fund the purchase of Varion.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, management fees, professional fees, data processing, travel, telephone and general overheads. G&A increased by 17% or $2,309,000 to $16,154,000 compared to $13,845,000 last year mainly as a result of Varion overheads now being incurred. These totalled $1,547,000 in the eleven months since acquisition. In addition, personnel costs rose as a number of staff were added as business activity increased. A stock-based compensation expense of $365,000 (2013 – $370,000) related to the Company's SARs was incurred in 2014.

The provision for credit and loan losses increased by 46% to $639,000 in 2014 compared to $438,000 last year. The provision comprised:

Years ended Dec. 31 (in thousands)	2014	2013
Net charge-offs	$ 471	$ 422
Reserves expense related to increase in total allowances for losses	168	16
	$ 639	$ 438

The provision for credit and loan losses as a percentage of revenue increased to 2.1% in 2014 from 1.7% in 2013. Net charge-offs rose by $49,000 or 12% to $471,000 in 2014 compared to the prior year, while the non-cash reserves expense increased by $152,000 to $168,000 mainly on the requirement for higher allowances for losses resulting from a $27 million rise in funds employed in 2014, as well as a $43,000 increase in the allowance for losses relating to the guarantee of managed receivables. The Company's allowances for losses are discussed in detail below. The Company was pleased with the low level of net charge-offs in 2014 given the rise in funds employed and factoring volume in the year; on record business activity, net charge-offs were the fourth lowest in the last twenty years. 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.

Business acquisition expenses consist of transaction and integration costs and amortization of intangibles relating to the Varion acquisition. These totalled $570,000 (2013 – nil) in 2014 and comprised amortization of intangibles of $451,000 and transaction and integration costs (mainly professional fees) of $119,000.

Income tax expense increased by $117,000 or 4% to $3,345,000 compared to $3,228,000 in 2013 as a result of a $559,000 withholding tax expense and a 5% increase in pre-tax earnings. The Company's effective income tax rate decreased slightly to 32.7% compared to 33.1% last year. The withholding tax expense was incurred by the Company on a dividend of $11,170,000 received from its U.S. subsidiary, AFIU. Excluding the withholding tax expense, the Company's effective income tax rate would have declined to 27.3%.

Table 1 – Profitability, Yield and Efficiency Ratios

(as a percentage)	2014	2013	2012
Return on Average Assets	4.3	5.5	5.6
Return on Average Equity	12.1	13.1	13.6
Adjusted Return on Average Equity	14.3	13.6	13.7
Net Revenue/Average Assets	17.5	20.3	20.9
Operating Expenses/ Average Assets	10.6	11.7	12.0

Table 1 highlights the Company's profitability in terms of returns on its average assets and equity. In 2014, on higher average assets and equity, return on average assets, ROE and adjusted ROE, expressed in percentages, were 4.3%, 12.1% and 14.3%, respectively.

Net revenue as a percentage of average assets declined to 17.5% compared to 20.3% in 2013 as average assets increased 33%, while revenue was 16% higher. The ratio of G&A to average assets decreased to 10.6% in 2014 compared with 11.7% last year.

Canadian operations reported a 3% decline in net earnings in 2014 compared to 2013 (see note 22 to the Statements) mainly as a result of a higher income tax expense resulting from the withholding tax incurred.

Summary of Quarterly Financial Results*

(in thousands of dollars unless otherwise stated)	2014				2013			
Quarters ended	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	Dec. 31	Sept. 30	June 30	Mar. 31
Factoring volume (millions)	**$ 540**	**$ 579**	**$ 525**	**$ 516**	$ 483	$ 499	$ 431	$ 448
Revenue								
Interest and other income	**$ 7,925**	**$ 8,165**	**$ 7,529**	**$ 6,616**	$ 7,275	$ 6,464	$ 6,388	$ 5,947
Expenses								
Interest	**623**	**653**	**729**	**518**	501	470	489	453
General and administrative	**4,212**	**4,009**	**3,780**	**4,152**	3,509	3,456	3,579	3,301
Provision for credit and loan losses	**(883)**	**354**	**641**	**527**	(619)	439	339	280
Depreciation	**38**	**32**	**29**	**27**	29	28	27	27
Business acquisition expenses								
Transaction and integration costs	**—**	**3**	**3**	**112**	—	—	—	—
Amortization of intangibles	**123**	**123**	**123**	**82**	—	—	—	—
	4,113	**5,174**	**5,305**	**5,418**	3,420	4,393	4,434	4,061
Earnings before income tax expense	**3,812**	**2,991**	**2,224**	**1,198**	3,855	2,071	1,954	1,886
Income tax expense	**1,442**	**815**	**687**	**401**	1,208	693	687	640
Net earnings	**$ 2,370**	**$ 2,176**	**$ 1,537**	**$ 797**	$ 2,647	$ 1,378	$ 1,267	$ 1,246
Basic and diluted earnings per common share (cents)	**29**	**26**	**18**	**10**	32	17	15	15

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

Net earnings decreased by $85,000 to $3,167,000 compared to $3,252,000 last year. Revenue increased by $3,914,000 or 23% to $20,700,000. Expenses rose by $3,224,000 or 26% to $15,544,000. G&A increased by $1,803,000 to $11,905,000, while interest expense rose by $894,000 to $2,309,000. The provision for credit and loan losses was $46,000 lower at $672,000. Business acquisition expenses of $570,000 (2013 – nil) were also incurred, while depreciation was $3,000 higher. Income tax expense rose by $775,000 to $1,989,000 in 2014 as a result of the above noted $559,000 withholding tax expense and a 15% rise in pre-tax earnings.

U.S. operations reported a 13% increase in net earnings compared to 2013 (see note 22 to the Statements). Net earnings increased by $426,000 to $3,712,000 compared to $3,286,000 last year. Revenue increased by $269,000 or 3% to $9,556,000. Expenses rose by $501,000 or 13% to $4,488,000. G&A increased by $505,000 to $4,248,000. The provision for credit and loan losses rose by $247,000 to a recovery of $33,000; AFIU had no charge-offs again in 2014 and has not had a charge-off since 2010. Depreciation was $11,000 higher. Interest expense declined by $262,000 to $235,000. Income tax expense decreased by $658,000 to $1,356,000. In U.S. dollars, net earnings were 5% higher at US$3,337,000 compared to 2013.

Fourth Quarter 2014: *Quarter ended December 31, 2014 compared with quarter ended December 31, 2013*

Net earnings for the quarter ended December 31, 2014 declined by $277,000 or 10% to $2,370,000 compared with $2,647,000 last year. Net earnings declined mainly as a result of the above noted withholding tax expense of $559,000. EPS declined by 9% to 29 cents compared to the 32 cents earned last year.

Adjusted net earnings for the fourth quarter of 2014 totalled $3,022,000, 17% higher than last year's $2,586,000. Adjusted EPS were 36 cents compared to 32 cents in 2013. The following table provides a reconciliation of net earnings to adjusted net earnings:

Quarters ended Dec. 31 (in thousands)	2014	2013
Net earnings	$ 2,370	$ 2,647
Adjustments, net of tax		
Stock-based compensation expense (recovery)	25	(61)
Business acquisition expenses	68	—
Withholding tax expense	559	—
Adjusted net earnings	$ 3,022	$ 2,586

Factoring volume increased by 12% to $540 million in the fourth quarter compared to $483 million last year.

Revenue rose by $650,000 or 9% to $7,925,000 in the current quarter compared with $7,275,000 last year. Revenue increased compared to 2013 mainly as a result of $429,000 of revenue from Varion and a $416,000 gain on the sale of certain assets held for sale (see note 6 to the Statements).

Interest expense increased by $122,000 or 24% to $623,000 in the fourth quarter of 2014 compared to $501,000 last year as a result of higher borrowings, which increased mainly to finance higher funds employed.

G&A increased by $702,000 or 20% to $4,212,000 in the current quarter compared to $3,510,000 last year largely as a result of Varion overheads now being incurred; these totalled $467,000 in the current quarter. Personnel costs also rose as the Company added a number of new staff in 2014 as a result of increased business activity.

There was an $883,000 recovery of credit and loan losses in the fourth quarter compared to a recovery of $619,000 last year. The Company's portfolio tends to see seasonal declines in its fourth quarter due to the nature of certain of our clients' businesses and there is often a recovery of credit and loan losses in the quarter. The recovery comprised:

Quarters ended Dec. 31 (in thousands)	2014	2013
Net charge-off recovery	$ (499)	$ (357)
Reserves recovery related to decrease in total allowances for losses	(384)	(262)
	$ (883)	$ (619)

Business acquisition expenses for the current quarter, comprising amortization of intangible assets, totalled $123,000 (2013 – nil).

Income tax expense increased by $234,000 or 19% to $1,442,000 in the current quarter compared to $1,208,000 in the fourth quarter of 2013. Income tax expense increased on the above noted withholding tax expense of $559,000. The Company's effective corporate income tax rate rose to 37.8% in the current quarter compared to 31.3% last year as a result of the withholding tax. Excluding the withholding tax expense, the Company's effective income tax rate would have declined to 23.2%.

Review of Financial Position

Equity at December 31, 2014 rose by $7,902,000 to a record high $61,332,000 compared to $53,430,000 at December 31, 2013. Book value per common share was also a record high $7.38 at December 31, 2014 compared to $6.50 a year earlier. The increase in equity resulted from a rise in retained earnings, a higher accumulated other comprehensive income ("AOCI") balance and the issuance of capital stock related to the Varion acquisition. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 34 of this Annual Report.

Total assets were $154,624,000 at December 31, 2014, 28% higher than the $120,809,000 at December 31, 2013. Total assets largely comprised Loans (funds employed). Excluding inter-company loans, identifiable assets located in the United States were 38% of total assets at December 31, 2014 compared to 41% the prior year end (see note 22 to the Statements).

Table 2 – Financial Condition and Leverage

(as a percentage)	2014	2013	2012
Tangible Equity/Assets	36	42	36
Equity/Assets	40	44	38
Debt (bank indebtedness & notes payable)/Equity	132	109	146
(in thousands)			
Receivables and Loans			
Loans	$ 138,109	$ 111,287	$ 109,833
Managed Receivables	80,016	62,170	87,257
Total Portfolio	$ 218,125	$ 173,457	$ 197,090

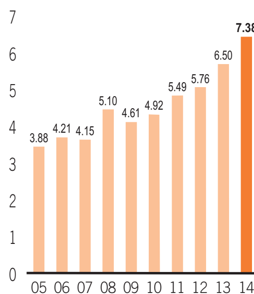
Table 2 highlights the Company's financial condition. The first two ratios in the table (36% and 40%), detailing equity as a percentage of assets, declined in 2014 as assets rose at a faster rate than equity. Meanwhile, the debt to equity ratio increased to 132% in 2014 from 109% in 2013 on higher borrowings used mainly to finance increased funds employed. These ratios indicate the Company's continued financial strength and relatively low degree of leverage.

Gross finance receivables and loans (also referred to as Loans or funds employed), before the allowance for losses thereon, increased by $26,822,000 or 24% to $138,109,000 compared to $111,287,000 at December 31, 2013. As detailed in note 5 to the Statements, the Company's Loans comprised:

(in thousands)	Dec. 31, 2014	Dec. 31, 2013
Factored receivables	$ 89,367	$ 91,984
Loans to clients	42,988	19,303
Lease receivables	5,754	—
Finance receivables and loans, gross	138,109	111,287
Less allowance for losses	1,763	1,512
Finance receivables and loans, net	$136,346	$109,775

The Company's factored receivables declined slightly to $89,367,000 at December 31, 2014 compared to $91,984,000 at December 31, 2013. Loans to clients, which comprise advances against non-receivable assets such as inventory and equipment, rose 123% to $42,988,000 at December 31, 2014 compared to a year earlier. Lease receivables, representing Varion's net investment in equipment leases, totalled $5,754,000 at December 31, 2014. Net of the allowance for losses thereon, Loans increased by 24% to $136,346,000 at December 31, 2014 compared to $109,775,000 at December 31, 2013. The Company's Loans principally represent advances made by its recourse factoring and asset-based lending subsidiaries, AFIC and AFIU, to approximately 140 clients in a wide variety of industries, as well as Varion's lease receivables and equipment and related loans to over 400 clients. One client comprised over 10% of gross Loans at December 31, 2014 and 2013.

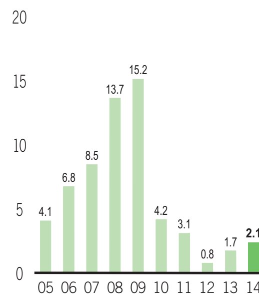
In its non-recourse factoring business, the Company contracts with clients to assume the credit risk associated with respect to their receivables without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These non-recourse or managed receivables totalled $80 million at December 31, 2014 compared to $62 million at December 31, 2013.



Book Value per Share

(in dollars)

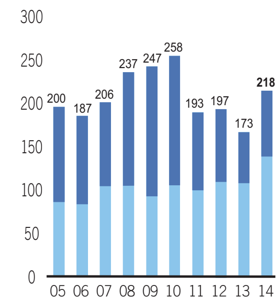
Book value per share rose to a record high $7.38 at December 31, 2014. It was 14% higher than the $6.50 last year-end.



Provision for Credit and Loan Losses

(as a percentage of revenue)

The provision rose to 2.1% of revenue in 2014 from 1.7% last year. It was the third lowest in the last ten years.



Total Portfolio

Loans and managed receivables

(in millions of dollars)

The Company's total portfolio increased by 26% to $218 million at December 31, 2014 from $173 million a year earlier on higher funds employed and managed receivables.

Loans Managed

Managed receivables comprise the receivables of approximately 120 clients at December 31, 2014. The 25 largest clients comprised 74% of non-recourse volume in 2014. 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, 2014, the 25 largest customers accounted for 65% of total managed receivables, of which the largest five comprised 36%. One customer's balance was over $10 million. 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, as detailed above, increased by 26% to $218 million at December 31, 2014 compared to $173 million at December 31, 2013.

As described in note 19(a) to the Statements, the Company's business involves funding or assuming credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's factoring and asset-based lending business 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. In Varion's leasing operations, transactions up to $75,000 are approved by credit managers or more senior staff, while amounts between $75,001 and $250,000 are approved by Varion's general manager or an officer of Varion. Amounts over $250,000 are approved by both Varion's general manager and its President. 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.

In its factoring operations, 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 invoice date. Varion's lease receivables and equipment loans are term loans with payments usually spread out evenly over the term of the lease or loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, 2.9% were past due more than 60 days at December 31, 2014. In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 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 recourse factoring and leasing businesses, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, 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 financed are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. In its factoring operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. 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 and applying concentration limits, 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 factoring operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's leasing operations, security deposits are obtained in respect of each equipment lease or loan. 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. Note 19(a) to the Statements provides details of the Company's credit exposure by industrial sector.

Table 3 – Credit Quality

(as a percentage unless otherwise stated)	**2014**	2013	2012
Receivables Turnover (days)	**36**	37	39
Managed Receivables past due more than 60 days	**2.9**	4.9	4.6
Reserves*/Portfolio	**0.9**	1.0	0.8
Reserves*/Net Charge-offs	**415**	393	193
Net Charge-offs/Volume	**0.02**	0.02	0.04

*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 increased to $378,000 in 2014 compared to $135,000 last year. Net charge-offs of managed receivables were 8 basis points of volume in 2014 compared to 3 basis points in 2013. Net charge-offs in the Company's financing business were a record low $93,000 in 2014 compared to $287,000 last year. Overall, the Company's total net charge-offs in 2014, as set out in the Results of Operations section above, rose by 12% to $471,000 compared with $422,000 in 2013. Total net charge-offs were 2 basis points of volume in 2014 and 2013. After the customary detailed quarter-end review of the Company's portfolio by its Risk Management Committee, it was determined that all problem loans and accounts were identified and provided for where necessary. The Company maintains separate allowances for losses on both its Loans and its guarantee of managed receivables, at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowance for losses on Loans increased by $251,000 or 17% to $1,763,000 at December 31, 2014 compared to $1,512,000 at December 31, 2013 on a $27 million or 24% increase in gross Loans during the year. The allowance for losses on the guarantee of managed receivables increased 29% to $190,000 at December 31, 2014 compared to $147,000 at December 31, 2013. 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 statements of financial position. The activity in both allowance for losses accounts during 2014 and 2013 is set out in note 5 to the Statements. The estimates of both allowances for losses are judgmental. Management considers them to be reasonable and appropriate.

Cash increased to $7,103,000 at December 31, 2014 compared with $3,442,000 at December 31, 2013. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. The rise in cash this year-end coincides with the sale of certain assets held for sale in late December 2014 for $3,450,000 (see note 6 and below). Fluctuations in cash balances are normal.

Assets held for sale are stated at their net realizable value and totalled $2,172,000 at December 31, 2014 compared to $4,540,000 at December 31, 2013. Please refer to note 6 to the Statements for details of changes in the assets held for sale balance during 2014 and 2013. During December 2014, certain assets held for sale with a book value of $3,034,000 were sold by our U.S. subsidiary for $3,450,000 resulting in a gain on sale of $416,000. Also in the fourth quarter of 2014, the Company obtained title to certain equipment securing defaulted loans. This equipment has a net realizable value of $374,000. During 2013, the Company obtained title to

certain real estate securing a defaulted loan with a net realizable value of $1,120,000; this will be sold as market conditions permit. The net realizable value of the assets at December 31, 2014 and 2013 was estimated based upon professional appraisals of the assets. Assets held for sale by our U.S. subsidiary are translated into Canadian dollars at the prevailing period-end exchange rate and foreign exchange adjustments usually arise on retranslation.

Intangible assets were acquired as part of the Varion acquisition on January 31, 2014 and comprise existing customer contracts and broker relationships. These are being amortized over a period of 5 to 7 years. Intangible assets, net of accumulated amortization, totalled $2,072,000 at December 31, 2014. Please refer to note 8 to the Statements.

Goodwill totalled $2,998,000 at December 31, 2014 compared to $1,023,000 at December 31, 2013. Goodwill of $1,882,000 was acquired as part of the Varion acquisition on January 31, 2014. Goodwill of US$962,000 is also carried in the Company's U.S. operations and is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 9 to the Statements.

Other assets, income taxes receivable, deferred tax assets and capital assets at December 31, 2014 and 2013 were not material.

Total liabilities increased by $25,914,000 to $93,292,000 at December 31, 2014 compared to $67,378,000 at December 31, 2013. The increase mainly resulted from higher bank indebtedness.

Amounts due to clients increased by $1,523,000 to $6,638,000 at December 31, 2014 compared to $5,115,000 at December 31, 2013. 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 normal.

Bank indebtedness increased by $20,627,000 to $63,995,000 at December 31, 2014 compared with $43,368,000 at December 31, 2013. Bank indebtedness mainly increased to fund the rise in Loans, while $4,170,000 of the increase related to cash consideration paid as part of the Varion acquisition. The Company had approved credit lines with a number of banks totalling approximately $136 million at December 31, 2014 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.

Notes payable increased by $1,999,000 to $16,808,000 at December 31, 2014 compared to $14,809,000 at December 31, 2013. The increase in notes payable resulted from new notes issued, net of redemptions, and accrued interest. Please see Related Party Transactions section below and note 11(a) to the Statements.

Accounts payable and other liabilities, income taxes payable, deferred income and deferred tax liabilities at December 31, 2014 and 2013 were not material.

Capital stock increased by $859,000 to $6,896,000 at December 31, 2014 compared to $6,037,000 at December 31, 2013. There were 8,307,713 common shares outstanding at December 31, 2014 compared to 8,221,498 at December 31, 2013. The $859,000 increase in capital stock since December 31, 2013 relates to the issuance of 86,215 common shares on January 31, 2014 as part of the Varion purchase consideration. These shares were issued at a price of $9.97 being the closing price of the Company's shares on the TSX on the date of acquisition. The consolidated statements of changes in equity on page 34 of this report provides details of changes in the Company's issued and outstanding common shares and capital stock during 2014 and 2013. At the date of this MD&A, February 27, 2015, 8,307,713 common shares were outstanding.

Retained earnings totalled $51,215,000 at December 31, 2014 compared to $47,078,000 at December 31, 2013. During 2014, retained earnings increased by $4,137,000, which comprised net earnings of $6,879,000 less dividends paid of $2,742,000 (33 cents per common share). Please see the consolidated statements of changes in equity on page 34 of this report for details of changes in retained earnings during 2014 and 2013.

The Company's AOCI account solely comprises the cumulative unrealized foreign exchange income (or loss) arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance totalled $3,178,000 at December 31, 2014 compared to $274,000 at December 31, 2013. Please refer to note 18 to the Statements and the consolidated statements of changes in equity on page 34 of this report, which details movements in the AOCI account during 2014 and 2013. The $2,904,000 increase in AOCI balance during 2014 resulted from a rise in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar strengthened from $1.0636 at December 31, 2013 to $1.1601 at December 31, 2014. This increased the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$25 million by $2,904,000.

Liquidity and Capital Resources

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

The Company manages its capital resources and makes adjustments to them in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital resources, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay debt. Amongst other things, the Company monitors the ratio of its debt to equity and its equity to total assets. These ratios are presented for the last three years as percentages in Table 2. As noted above, the ratios at December 31, 2014 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 impact financing needs. In addition to cash flow generated from operations, the Company maintains bank lines of credit in Canada and the United States. The Company can also raise funds through its notes payable program.

The Company had bank credit lines totalling approximately $136 million at December 31, 2014 and had borrowed $64 million against these facilities. Funds generated through operating activities and the 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 $7,103,000 at December 31, 2014 compared to $3,442,000 at December 31, 2013. 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.

Contractual Obligations and Commitments at December 31, 2014

(in thousands of dollars)	Payments due in Less than one year	One to three years	Four to five years	Total
Operating lease obligations	$ 397	$ 562	$ —	**$ 959**
Purchase obligations	120	—	—	**120**
	$ 517	$ 562	$ —	**$ 1,079**

Fiscal 2014 cash flows: *Year ended December 31, 2014 compared with year ended December 31, 2013*

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $10,606,000 in 2014 compared to $9,941,000 last year. After changes in operating assets and liabilities and income tax payments are taken into account, there was a net cash outflow from operating activities of $6,538,000 in 2014 compared to an inflow of $8,398,000 last year. The net cash outflow in 2014 largely resulted from financing gross Loans of $17,347,000. In 2013, the net cash inflow principally resulted from net earnings. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows on page 35 of this report.

Cash outflows from investing activities totalled $4,362,000 (2013 – $46,000) in 2014. Cash consideration of $4,170,000 was paid as part of the Varion acquisition, while net capital asset additions totalled $193,000 (2013 – $46,000).

Net cash inflow from financing activities totalled $14,149,000 in 2014 compared to a net cash outflow of $14,880,000 last year. The net cash inflow this year resulted from an increase in bank indebtedness of $16,335,000 and the issue of notes payables, net, of $1,986,000. Partially offsetting these inflows were dividend payments of $2,742,000 and funds of $1,430,000 used to redeem Varion's preferred shares immediately upon acquisition. 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 effect of exchange rate changes on cash was not material in 2014 and 2013.

Overall, there was a net cash inflow of $3,661,000 in 2014 compared to an outflow of $6,547,000 in 2013.

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 that vary with bank Prime or Libor. The rates are at or below the rates charged by the Company's banks. Notes payable at December 31, 2014 totalled $16,808,000 compared with $14,809,000 at December 31, 2013. Of these notes payable, $14,907,000 (December 31, 2013 – $12,957,000) was owing to related parties and $1,901,000 (December 31, 2013 – $1,852,000) to third parties. Interest expense on these notes in 2014 totalled $461,000 (2013 – $413,000). Note 11(b) to the Statements discloses the remuneration of directors and key management personnel during 2014 and 2013.

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 cost. The exceptions noted are recorded at fair value. Financial assets and liabilities, other than the lease receivables and loans to clients in our leasing business, are short term in nature and, therefore, their carrying values approximate fair values.

At December 31, 2014, the Company had entered into forward foreign exchange contracts with a financial institution that must be exercised between January 30, 2015 and March 31, 2015 and which oblige the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.1235 to 1.1250. 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$700,000 to the client. These contracts are discussed further in note 17 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 its guarantee of managed receivables may comprise specific and general components. A specific allowance may be established against Loans that are identified as impaired, or non-performing, when the Company determines, based on its review, identification and evaluation of problem Loans, that the timely collection of interest and principal payments is no longer assured and that the estimated net realizable value of the Company's loan collateral is below its book value. Similarly, a specific allowance may be established against managed receivables where a clients' customer becomes insolvent and the Company's guarantee is called upon. In such cases, the Company will estimate the fair value of the required payments to clients under their guarantees, net of any estimated recoveries expected from the insolvent customer's estate.

   A general or collective allowance on both its Loans and its guarantee of 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 collective 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 an ongoing 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(d) and 5 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.

Control Environment

There have been no changes to the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") during 2014 that have materially affected, or are reasonably likely to materially

affect, DC&P or ICFR. However, due to the timing of the acquisition of Varion on January 31, 2014, the Company has limited its design of DC&P and ICFR to exclude the controls, policies and procedures relating to Varion for 2014. At December 31, 2014, Varion had assets of $8,944,000 and liabilities of $7,956,000, including $4,145,000 due to the Company. During the eleven months since acquisition, Varion's revenue totalled $1,448,000 and it incurred a net loss of $305,000.

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. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate and, as such, there can be no assurance that any design will succeed in achieving its stated goal under all potential conditions.

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. Subject to the limitation noted above respecting Varion, 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, 2014 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), 1992 framework to evaluate the design of the Company's internal control over financial reporting and test its effectiveness; and

iii) subject to the limitation noted above respecting Varion, the Company's management has designed and tested the effectiveness of its internal control over financial reporting as at December 31, 2014 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 19 to the Statements, which discuss 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 mainly 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 lessen, 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 financing its clients' receivables and making asset-based loans, including lease financing. The Company's portfolio totalled $218 million at December 31, 2014. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 19(a) to the Statements.

Interest rate risk

The Company's agreements with its clients (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. Further, in its leasing business, lease receivables and term loans to clients tend to be at fixed effective interest rates, while related bank borrowings tend to be floating rate. Please refer to note 19(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 in the past reduced the AOCI component of equity to a loss position, although this is now in a gain position at December 31, 2014. Please see notes 18 and 19(c)(i) to the Statements.

Potential acquisitions and investments

The Company seeks to acquire or invest in businesses that expand or complement its current business. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisitions or investments will generate additional earnings or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and its ability to manage growth. Business combinations also require management to exercise judgment in measuring the fair value of assets acquired, liabilities and contingent liabilities assumed, and equity instruments issued.

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, long-term incentives, 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's 2014 average funds employed, factoring volume and adjusted earnings per common share were annual records, while revenue was a near-record. Business activity was at record levels and our pipeline of prospects continues to be strong. It is anticipated that our asset-based financing units can build upon the momentum of 2014 despite operating in a very competitive market, which could affect client turnover. Our credit protection and receivables management business has faced intense competition from multinational credit insurers for the last three years but is now stabilized and hopes to grow its factoring volume in 2015. We are seeing Varion, our leasing company acquired in January 2014, grow and expect that growth to accelerate over the next few years with Accord's financial backing. The Company continues to seek opportunities to acquire companies or portfolios to increase its business and is optimistic about its prospects for future growth.

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

Stuart Adair
Senior Vice President, Chief Financial Officer

Toronto, Ontario
February 27, 2015

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 2014 the receivables turnover declined to 36 days compared to 37 days in 2013.

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 2.9% to 4.9%. At December 31, 2014, the percentage was 2.9%.

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 1.0%, and was 0.9% at December 31, 2014.

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 2014, this percentage rose to 415% at December 31, 2014.

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 2014 was only 2 basis points of volume.

Ten Year Financial Summary 2005-2014

All figures are in thousands of dollars except factoring volume, earnings per share, dividends per share, book value per share, and share price history. Shares outstanding are in thousands, while return on average equity is expressed as a percentage.

	Canadian GAAP					IFRS*				
	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Factoring volume (in millions)	$ 1,424	1,417	1,497	1,596	1,748	2,120	1,914	1,865	1,860	**2,160**
Revenue	$ 26,230	28,864	28,346	28,060	24,045	31,406	28,408	25,891	26,074	**30,235**
Interest	1,762	2,391	2,992	2,871	1,180	1,730	2,047	1,911	1,913	**2,523**
General and administrative	14,892	13,290	13,143	13,491	13,290	14,679	13,558	13,615	13,845	**16,154**
Provision for credit and loan losses	1,074	1,961	2,402	3,849	3,648	1,325	886	213	438	**639**
Impairment of assets held for sale	—	—	—	—	1,265	1,237	462	—	—	**—**
Depreciation	338	322	209	195	181	159	130	126	112	**125**
Business acquisition expenses	—	—	—	—	—	—	—	—	—	**570**
Total expenses	18,066	17,964	18,746	20,406	19,564	19,130	17,083	15,865	16,308	**20,011**
Earnings before income tax expense	8,164	10,900	9,600	7,654	4,481	12,276	11,325	10,026	9,766	**10,224**
Income tax expense	2,861	3,783	3,313	2,613	1,392	4,033	3,740	3,649	3,228	**3,345**
Earnings before extraordinary gain	5,303	7,117	6,287	5,041	3,089	8,243	7,585	6,377	6,538	**6,879**
Extraordinary gain	907	—	—	—	—	—	—	—	—	**—**
Net earnings	$ 6,210	7,117	6,287	5,041	3,089	8,243	7,585	6,377	6,538	**6,879**
Earnings per common share:										
Basic	$ 0.63	0.73	0.66	0.53	0.33	0.88	0.85	0.76	0.80	**0.83**
Diluted	0.62	0.72	0.66	0.53	0.33	0.88	0.85	0.76	0.80	**0.83**
Dividends per common share	$ 0.18	0.20	0.22	0.24	0.26	0.28	0.30	0.31	0.32	**0.33**
Finance receivables and loans	$ 84,270	79,863	103,940	99,990	89,907	102,313	89,124	108,477	109,775	**136,346**
Other assets	5,834	4,816	3,193	3,508	8,030	10,811	9,368	16,115	11,034	**18,278**
Total assets	$ 90,104	84,679	107,133	103,498	97,937	113,124	98,492	124,592	120,809	**154,624**
Due to clients	$ 5,092	4,227	4,897	4,588	4,517	5,113	3,519	3,874	5,115	**6,639**
Bank indebtedness	32,592	26,687	48,207	35,877	36,798	44,596	27,222	54,572	43,368	**63,995**
Accounts payable and other liabilities	5,565	3,940	4,459	3,081	3,267	7,889	4,528	3,808	3,403	**4,570**
Notes payable	7,298	9,195	9,567	10,944	9,254	10,142	14,611	14,492	14,809	**16,808**
Deferred income	992	913	806	829	746	824	757	450	503	**551**
Deferred tax liabilities	—	—	—	—	—	—	—	—	180	**729**
Total liabilities	51,539	44,962	67,936	55,319	54,582	68,564	50,637	77,196	67,378	**93,292**
Equity	38,565	39,717	39,197	48,179	43,355	44,560	47,855	47,396	53,431	**61,332**
Total liabilities and equity	$ 90,104	84,679	107,133	103,498	97,937	113,124	98,492	124,592	120,809	**154,624**
Shares outstanding at Dec. 31	# 9,930	9,443	9,454	9,438	9,409	9,066	8,719	8,221	8,221	**8,308**
Book value per share at Dec. 31	$ 3.88	4.21	4.15	5.10	4.61	4.92	5.49	5.76	6.50	**7.38**
Share price - high	$ 8.80	8.25	9.45	8.39	6.70	8.14	8.25	7.15	9.25	**10.75**
- low	6.70	7.00	7.72	4.75	5.25	5.25	6.50	6.50	6.84	**7.85**
- close at Dec. 31	7.05	7.75	8.00	5.81	5.25	7.50	6.87	7.00	7.86	**9.35**
Return on average equity	% 16.8	18.3	16.0	11.7	6.7	18.2	16.8	13.6	13.1	**12.1**

* 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 (National Instrument 52-110 – Audit Committees) and the certification of an issuer's disclosure controls and procedures and internal control over financial reporting (National 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:

(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 2015.

In addition to those matters, which must by law be approved by the Board, management seeks Board approval for any transaction that 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 2014 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, 2015, which was mailed to shareholders with this Annual Report and is also filed under the Company's profile with SEDAR at www.sedar.com. There was an "in camera" session at each of the four Board meetings in which non-executive directors met without management.

Composition of the Board

The Board currently comprises six persons and is chaired by Mr. Ken Hitzig. Of the current Board, four directors (Messrs. David Beutel, 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 6, 2015 Annual Meeting are set out in the Circular. 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 2014 is set out in the Circular.

Given that there have only been six 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 help 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. David Beutel and Mr. John Swidler. 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 2014 there were four meetings of the Audit Committee, member attendances at which are set out in the Circular.

The Audit Committee has adopted a corporate Code of Ethics and a "whistleblower policy" whereby any director, officer or employee of the Company or its subsidiaries who is aware of any acts by a director, officer or employee which are in contravention of the standards of business and personal ethics required of them by the Company, or in violation of applicable laws and regulations, is required to bring such matters to the attention of management or directly to the Chairman of the Audit Committee. The Chairman of the Audit Committee advises in each Audit Committee meeting if any matters have been reported to him under the whistleblower policy. All reported matters are investigated and appropriate action taken if warranted. The Company's Code of Ethics and whistleblower policy are available on its website.

The Compensation Committee is currently composed of Messrs. Ken Hitzig, Robert Sandler 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 2014 Compensation Discussion and Analysis report to shareholders is included in the Circular. During 2014 there was one meeting of the Compensation Committee, member attendances at which are set out in the Circular.

The Board's Credit Committee is currently composed of Messrs. David Beutel, Robert Sandler and John Swidler. 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 National 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, expresses 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
Senior Vice President, Chief Financial Officer
Toronto, Canada
February 17, 2015

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, 2014 and 2013, 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, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

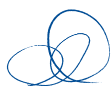
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
February 17, 2015

Consolidated Statements of Financial Position

	December 31, 2014	December 31, 2013
Assets		
Cash	**$ 7,103,273**	$ 3,442,186
Finance receivables and loans, net (note 5)	**136,345,686**	109,774,608
Income taxes receivable	**1,234,569**	7,871
Other assets	**2,004,166**	382,017
Assets held for sale (note 6)	**2,172,491**	4,539,910
Deferred tax assets, net (note 13)	**313,441**	1,351,684
Capital assets (note 7)	**380,576**	287,552
Intangible assets (note 8)	**2,071,794**	—
Goodwill (note 9)	**2,998,172**	1,022,861
	$ 154,624,168	$ 120,808,689
Liabilities		
Due to clients	**$ 6,638,393**	$ 5,115,368
Bank indebtedness (note 10)	**63,994,915**	43,368,363
Accounts payable and other liabilities	**3,343,377**	2,275,855
Income taxes payable	**1,226,963**	1,126,493
Notes payable (note 11(a))	**16,808,168**	14,808,714
Deferred income	**551,367**	503,424
Deferred tax liabilities (note 13)	**729,026**	180,000
	93,292,209	67,378,217
Equity		
Capital stock (note 12)	**6,896,153**	6,036,589
Contributed surplus	**42,840**	42,840
Retained earnings	**51,215,217**	47,077,476
Accumulated other comprehensive income (note 18)	**3,177,749**	273,567
	61,331,959	53,430,472
	$ 154,624,168	$ 120,808,689
Common shares outstanding	**8,307,713**	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	2014	2013
Revenue		
Interest and other income (note 5 and 6)	**$ 30,235,435**	$ 26,073,541
Expenses		
Interest	**2,522,858**	1,912,493
General and administrative	**16,153,923**	13,844,843
Provision for credit and loan losses	**638,621**	438,394
Depreciation	**125,923**	111,800
Business acquisition expenses		
Transaction and integration costs	**118,582**	—
Amortization of intangibles	**451,241**	—
	20,011,148	16,307,530
Earnings before income tax expense	**10,224,287**	9,766,011
Income tax expense (note 13)	**3,345,000**	3,228,000
Net earnings	**$ 6,879,287**	$ 6,538,011
Basic and diluted earnings per common share (note 14)	**$ 0.83**	$ 0.80
Basic and diluted weighted average number of common shares outstanding (note 14)	**8,300,760**	8,221,498

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31	2014	2013
Net earnings	**$ 6,879,287**	$ 6,538,011
Other comprehensive income:		
Items that are or may be reclassified to profit or loss:		
Unrealized foreign exchange gain on translation of self-sustaining foreign operations (note 18)	**2,904,182**	2,127,851
Comprehensive income	**$ 9,783,469**	$ 8,665,862

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

	Capital stock					
	Number of common shares outstanding	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income	Total
Balance at January 1, 2013	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**	**$53,430,472**
Comprehensive income	**—**	**—**	**—**	**6,879,287**	**2,904,182**	**9,783,469**
Common shares issued on acquisition of Varion Capital Corp.	**86,215**	**859,564**	**—**	**—**	**—**	**859,564**
Dividends paid	**—**	**—**	**—**	**(2,741,546)**	**—**	**(2,741,546)**
Balance at December 31, 2014	**8,307,713**	**$ 6,896,153**	**$ 42,840**	**$51,215,217**	**$ 3,177,749**	**$61,331,959**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31	2014	2013
Cash provided by (used in)		
Operating activities		
Net earnings	**$ 6,879,287**	$ 6,538,011
Items not affecting cash:		
Allowances for losses, net of charge-offs and recoveries	**167,734**	16,246
Deferred income	**54,200**	46,989
Depreciation	**125,923**	111,800
(Gain) loss on disposal of capital assets	**(1,729)**	23
Gain on disposal of assets held for sale	**(415,506)**	—
Amortization of intangible assets	**451,241**	—
Deferred tax expense	**932,602**	71,851
Income tax expense	**2,412,398**	3,156,149
	10,606,150	9,941,069
Changes in operating assets and liabilities		
Finance receivables and loans, gross	**(17,346,820)**	1,031,351
Due to clients	**1,387,851**	1,157,849
Other assets	**(1,570,415)**	(256,831)
Accounts payable and other liabilities	**559,228**	(596,300)
Disposal of assets held for sale	**3,435,757**	8,233
Income tax paid, net	**(3,609,912)**	(2,887,182)
	(6,538,161)	8,398,189
Investing activities		
Acquisition of Varion Capital Corp.	**(4,169,744)**	—
Additions to capital assets, net	**(192,686)**	(45,740)
	(4,362,430)	(45,740)
Financing activities		
Bank indebtedness	**16,335,240**	(12,516,731)
Notes payable issued, net	**1,985,899**	267,583
Redemption of Varion Capital Corp. preferred shares	**(1,430,467)**	—
Dividends paid	**(2,741,546)**	(2,630,880)
	14,149,126	(14,880,028)
Effect of exchange rate changes on cash	**412,552**	70,750
Increase (decrease) in cash	**3,661,087**	(6,456,829)
Cash at January 1	**3,442,186**	9,899,015
Cash at December 31	**$ 7,103,273**	$ 3,442,186
Supplemental cash flow information		
Net cash used in operating activities includes:		
Interest paid	**$ 2,570,741**	$ 1,868,273

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

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, leasing, 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 dollar, 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.

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 relate to the determination of the allowance for losses relating to finance receivables and loans and to the guarantee of managed receivables, the determination of the value of goodwill and intangible assets on acquisition (notes 3(f), 3(g), 8 and 9), as well as the net realizable value of assets held for sale and deferred tax assets and liabilities (notes 3(d), 3(o), 6 and 13). 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*

These consolidated financial statements were approved for issue by the Company's Board of Directors ("Board") on February 17, 2015.

3. Significant accounting policies

(a) Basis of consolidation

These statements consolidate the accounts of the Company and its wholly owned subsidiaries, namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Varion Capital Corp. (“Varion”) 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. Intercompany balances and transactions are eliminated upon consolidation.

(b) Revenue recognition

Revenue principally comprises interest, including discount fees, and factoring commissions from the

Company's recourse and non-recourse factoring and leasing businesses and is measured at the fair value of the consideration received. For receivables purchased in its recourse factoring business, discount fees are calculated as a discount percentage of the gross amount of the factored invoice and are recognized as revenue over the initial discount period. Additional discount fees are charged on a per diem basis if the invoice is not paid by the end of the initial discount period. For non-recourse or managed receivables, factoring commissions are charged upfront and a certain portion is deferred and recognized over the period that costs are incurred collecting the receivables. Interest charged on finance receivables and loans to clients is recognized as revenue using the effective interest rate method. In the Company's leasing business, interest is recognized over the term of the lease agreement or installment payment agreement using the effective interest rate; the effective interest rate is that rate which exactly discounts estimated future cash receipts through the expected life of the lease, installment payment or loan agreement. Fees related to direct finance leases, installment payment agreements and loan receivables of Varion are considered an integral part of the yield earned on the debtor balance and are accounted for using the effective interest rate method.

Other revenue, such as due diligence fees, documentation fees and commitment fees, is recognized as revenue when earned.

(c) Finance receivables and loans

The Company finances its clients by factoring their receivables, providing asset-based loans and financing equipment leases. Finance receivables (namely, factored receivables and lease receivables) and loans to clients 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. Finance receivables and loans to clients are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest rate method.

The Company's leasing operations have standard lease contracts that are non-cancellable direct financing leases and provide for monthly lease payments, usually for periods of one to five years. The present value of the minimum lease payments and residual values expected to be received under the lease terms is recorded at the commencement of the lease. The difference between this total value, net of execution costs, and the cost of the leased asset is unearned revenue, which is recorded as a reduction in the asset value, with the net amount being shown as the net investment in leases. The unearned revenue is then recognized over the life of the lease using the effective interest rate method, which provides a constant rate of return on the net investment throughout the lease term.

(d) Allowances for losses

The Company maintains allowances for losses on its finance receivables and loans and its guarantee of managed receivables. At each reporting date, the Company assesses whether there is objective evidence that the finance receivables and loans or managed receivables are impaired. A finance receivable and loan or a group of finance 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 finance 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 finance receivables and loans and managed receivables at both a specific asset and collective level. All finance 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.

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

(e) Capital assets

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

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

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

(f) Goodwill

Goodwill 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.

(g) Intangible assets

Purchased intangible assets are recognized as assets in accordance with International Accounting Standard ("IAS") 38, Intangible Assets, when it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase, which is also the fair value at the date acquired, and are subsequently carried at cost less accumulated amortization and, if applicable, accumulated impairment losses. The Company's intangible assets have a finite life and are amortized over their useful economic life. They are also assessed for impairment each reporting period. The

amortization period and method of amortization are reassessed annually. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimates. The amortization expense is recorded as a charge against earnings. The Company's intangible assets comprise existing customer contracts and broker relationships in its leasing operations, which are amortized over a period of five to seven years.

(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 through the statement of earnings 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 dates, 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. Deferred tax liabilities are recognized in respect of taxes payable in the future based on taxable temporary differences and are mainly related to the Company's intangible assets and assets held for sale balances.

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 subsidiaries

The Company's foreign subsidiaries report in U.S. dollars and their assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at the statements 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 statements 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 statements of financial position at their respective fair values. Changes in the fair value of these instruments are reported in the consolidated statements 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 participants 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 finance receivables and 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 statements 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) Business combinations

Business combinations are accounted for using the acquisition method of accounting under IFRS 3, Business Combinations. This involves recognizing identifiable assets and liabilities, including previously unrecognized intangible assets and liabilities, and contingent liabilities but excluding future restructuring of the acquired business, at fair value. Transaction and integration costs incurred in business combinations are expensed as incurred and reported as "business acquisition expenses" in the statements of earnings.

(r) Future accounting policies

IFRS 9, Financial Instruments, will replace the guidance provided in IAS 39, Financial Instruments Recognition and Measurements, in regards to the classification and measurement of financial assets. This change will be completed and implemented in three separate phases: (i) classification and measurement of financial assets and liabilities; (ii) impairment of financial assets; and (iii) hedge accounting. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), will replace the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, with the exception of revenue earned from contracts in the scope of other standards, such as financial instruments, insurance contracts and leases. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with customers. IFRS 15 is effective for the fiscal year beginning November 1, 2017. The extent of the impact of adoption of IFRS 15 has not yet been determined.

4. Acquisition of Varion

On January 31, 2014, the Company acquired 100% of Varion, a Canadian lease finance company. 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 following table summarizes the purchase price paid and the fair value of Varion's assets acquired and liabilities assumed at the date of acquisition:

Purchase consideration	
Cash paid	$ 4,169,744
Shares issued at fair value (86,215 at $9.97 each)	859,564
	$ 5,029,308
Assets acquired	
Finance receivables and loans, net	$ 5,564,500
Other assets	12,934
Capital assets, net	18,840
Intangible assets (note 8)	2,523,035
Goodwill (note 9)	1,882,507
	10,001,816
Liabilities assumed	
Bank indebtedness	2,362,361
Accounts payable and other liabilities	418,914
Income tax payable	162
Deferred tax liabilities	760,604
Preferred shares	1,430,467
	4,972,508
Fair value of net assets acquired	$ 5,029,308

During 2014, the Company incurred business acquisition expenses of $569,823 (2013 – nil) relating to the purchase. During the year, Varion generated revenue of $1,447,752,

and incurred a net loss of $305,141. Had the Varion acquisition occurred at the beginning of the year, the revenue generated and net loss incurred would have been approximately $120,000 and $30,000 higher, respectively.

5. Finance receivables and loans

	2014	2013
Factored receivables	$ 89,367,097	$ 91,983,961
Loans to clients	42,987,431	19,302,647
Lease receivables	5,754,158	—
Finance receivables and loans, gross	138,108,686	111,286,608
Less allowance for losses	1,763,000	1,512,000
Finance receivables and loans, net	$136,345,686	$109,774,608

Lease receivables comprise Varion's net investment in leases as described in note 3(c). Varion's leases at December 31, 2014 are expected to be collected over a period of up to five years.

The Company's allowance for losses on finance receivables and loans to clients at December 31, 2014 and 2013 comprised only a collective allowance. The activity in the allowance for losses on finance receivables and loans account during 2014 and 2013 was as follows:

	2014	2013
Allowance for losses at January 1	$ 1,512,000	$ 1,406,000
Allowance assumed on acquisition of Varion	95,384	—
Provision for credit and loan losses	217,199	363,062
Charge-offs	(154,209)	(343,628)
Recoveries	61,745	56,813
Foreign exchange adjustment	30,881	29,753
Allowance for losses at December 31	$ 1,763,000	$ 1,512,000

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, 2014, the gross amount of these managed receivables was $80,015,938 (2013 – $62,170,445). At December 31, 2014, management provided an amount of $190,000 (2013 – $147,000) 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 statements of financial position.

The activity in the allowance for losses on the guarantee of managed receivables account during 2014 and 2013 was as follows:

	2014	2013
Allowance for losses at January 1	$ 147,000	$ 207,000
Provision for credit losses	421,422	75,332
Charge-offs	(479,618)	(260,583)
Recoveries	101,196	125,251
Allowance for losses at December 31	$ 190,000	$ 147,000

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 finance receivables and loans and managed receivables in a variety of ways. For details of the Company's policies and procedures in this regard, please refer to note 19(a).

At December 31, 2014, the Company held cash collateral of $2,329,095 (2013 – $609,212) to help reduce the risk of loss on certain of the Company's finance receivables and loans and managed receivables.

The Company considers the allowances for losses on both its finance receivables and loans and its guarantee of managed receivables critical to its financial results (note 3(d)). 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 finance receivables and loans and managed receivables. The Company reviewed and adjusted its allowance for losses formulae in 2014. The changes in estimate did not have a material impact on the Company's consolidated financial statements.

Interest income earned on finance receivables and loans in 2014 totalled $23,493,142 (2013 – $19,981,868).

6. Assets held for sale

The net realizable value of the assets held for sale at December 31, 2014 and 2013 and movements therein during 2014 and 2013 were as follows:

	2014	2013
Assets held for sale at January 1	**$ 4,539,910**	$ 3,306,803
Acquired	**373,900**	1,119,510
Disposed of	**(3,034,126)**	(113,213)
Foreign exchange adjustment	**292,807**	226,810
Assets held for sale at December 31	**$ 2,172,491**	$ 4,539,910

During 2014, 2013 and 2009, the Company obtained title to certain assets securing defaulted loans. These assets will be sold as market conditions permit. The net realizable value of the assets at December 31, 2014 and 2013 was estimated based upon professional appraisals of the assets.

The assets disposed of in 2014 were sold for $3,449,632 resulting in a gain of $415,506 over book value. The gain is included in other revenue. There was no gain or loss on the assets disposed of in 2013.

7. Capital assets

	Dec. 31, 2014	Dec. 31, 2013
Cost	**$ 2,202,140**	$ 2,001,846
Less accumulated depreciation	**1,821,564**	1,714,294
	$ 380,576	$ 287,552

8. Intangible assets

	Existing customer contracts	Broker relationships	Total
Cost			
January 1, 2014	$ —	$ —	$ —
Varion acquisition (note 4)	1,179,097	1,343,938	2,523,035
December 31, 2014	1,179,097	1,343,938	2,523,035
Accumulated amortization			
January 1, 2014	—	—	—
Amortization expense	(264,117)	(187,124)	(451,241)
December 31, 2014	(264,117)	(187,124)	(451,241)
Book value			
January 1, 2014	—	—	—
December 31, 2014	$ 914,890	$ 1,156,814	$ 2,071,794

9. Goodwill

	2014	2013
Balance at January 1	**$ 1,022,861**	$ 956,792
Varion acquisition (note 4)	**1,882,507**	—
Foreign exchange adjustment	**92,804**	66,069
Balance at December 31	**$ 2,998,172**	$ 1,022,861

During 2014 and 2013, the Company conducted annual impairment reviews and determined there was no impairment to the carrying value of goodwill. Goodwill of US$961,697 is carried in the Company's U.S. operations and a foreign exchange adjustment is recognized each year-end when this balance is translated into Canadian dollars at different prevailing year-end exchange rates.

10. Bank indebtedness

Revolving lines of credit totalling approximately $136,000,000 have been established with a syndicate of banks, bearing interest varying with the bank prime

rate or LIBOR. These lines of credit are collateralized primarily by finance receivables and loans to clients. At December 31, 2014, the amounts outstanding under these lines of credit totalled $63,994,915 (2013 – $43,368,363). The Company was in compliance with all loan covenants under these lines of credit at December 31, 2014 and 2013.

11. 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 rates below those of the Company's bank line of credit.

Notes payable were as follows:

	Dec. 31, 2014	Dec. 31, 2013
Related parties	**$ 14,907,291**	$ 12,956,607
Third parties	**1,900,877**	1,852,107
	$ 16,808,168	$ 14,808,714

Interest expense on the notes payable was as follows:

	2014	2013
Related parties	**$ 414,565**	$ 367,811
Third parties	**46,506**	45,100
	$ 461,071	$ 412,911

(b) Compensation of directors and key management personnel

The remuneration of directors and key management personnel during 2014 and 2013 was as follows:

	2014	2013
Salaries and directors' fees	**$ 2,046,797**	$ 1,976,981
Share-based payments[2]	**296,700**	143,650
	$ 2,343,497	$ 2,120,631

[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/Varion and AFIC, and the Company's Chief Financial Officer.

[2] Share-based payments comprise the expense related to the Company's SARs. Please see note 12.

12. 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, 2014 and 2013, there were no first preferred shares outstanding.

(b) Issued and outstanding

The Company's issued and outstanding common shares during 2014 and 2013 are set out in the consolidated statements of changes in equity.

(c) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During 2014, dividends totalling $2,741,546 (2013 – $2,630,880) or $0.33 (2013 – $0.32) per common share were declared and paid.

On January 27, 2015, the Company declared a quarterly dividend of $0.085 per common share, payable March 2, 2015 to shareholders of record on February 13, 2015.

(d) 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.

No SARs were granted by the Company to directors and employees during 2014 and 2013. During 2014, 127,500 SARs were exercised (2013 – 200,000).

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

Exercise price	Grant date	Dec. 31, 2014	Dec. 31, 2013
$7.25	May 7, 2008	—	15,000
$6.03	July 28, 2009	7,500	32,500
$5.50	May 7, 2010	30,000	65,000
$7.97	May 4, 2011	55,000	107,500
$7.56	July 26, 2011	5,000	5,000
SARs vested and outstanding		97,500	225,000

(e) Stock option plans

The Company has established an employee stock option plan. Under the terms of the plan, an aggregate of 1,000,000 common shares has been reserved for issue upon the exercise of options granted to key managerial employees of the Company and its subsidiaries. According to the terms of the plan, these options vest over a period of three years provided certain minimum earnings criteria are 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 in 2014 and 2013.

(f) Stock-based compensation

The Company recorded a stock-based compensation expense in respect of its outstanding SARs of $364,617 in 2014 (2013 – $370,151). There has been no stock-based compensation in respect of stock options since 2007.

At December 31, 2014, the Company had accrued $205,050 (2013 – $234,100) in respect of its liability for outstanding SARs.

13. Income taxes

The Company's income tax expense comprises:

	2014	2013
Current income tax expense	$ 2,412,398	$ 3,156,149
Deferred tax expense	932,602	71,851
Income tax expense	$ 3,345,000	$ 3,228,000

During 2014 and 2013, 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 Company's statutory income tax rate due to the following:

	2014	%
Income taxes computed at statutory rates	$ 2,709,436	26.50
Increase resulting from		
Withholding tax paid on dividend from AFIU	558,500	5.46
Higher effective tax rate on income of subsidiaries	58,616	0.57
Other	18,448	0.18
Income tax expense	$ 3,345,000	32.71

	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

The tax effects that give rise to the net deferred tax assets as at December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred tax assets		
Allowances for losses	$ 171,091	$ 161,675
Unused tax losses	167,103	—
Impairment of assets held for sale	129,815	1,139,647
SARs liability	60,000	62,000
Other	273,900	297,808
	801,909	1,661,130
Deferred tax liabilities		
Goodwill	(307,078)	(280,897)
Lease receivables	(152,000)	—
Capital assets	(7,000)	(11,000)
Other	(22,390)	(17,549)
	(488,468)	(309,446)
	$ 313,441	$ 1,351,684

The tax effects that give rise to the deferred tax liability at December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred tax liabilities		
Acquired intangible assets	$ 549,026	$ —
Assets held for sale	180,000	180,000
	$ 729,026	$ 180,000

At December 31, 2014, 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.

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

There were no dilutive common share equivalents outstanding during 2014 and 2013 as there were no stock options outstanding. Accordingly, basic and diluted EPS are the same for both years.

15. Contingent liabilities

(a) In the normal course of business, there is outstanding litigation, the results of which are not expected to have a material effect upon the Company. 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 $186,005 at December 31, 2014 (2013 – $759,029). In addition, at December 31, 2014 and 2013, the Company was contingently liable with respect to letters of guarantee issued on behalf of clients in the amount of $150,000. These amounts have been considered in determining the allowance for losses on finance receivables and loans.

16. Lease commitments

The Company is committed under operating leases, principally office space leases, which expire between 2015 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:

2015	$	396,895
2016		389,061
2017		173,288
	$	959,244

17. Derivative financial instruments

At December 31, 2014, the Company had entered into forward foreign exchange contracts with a financial institution that must be exercised between January 30, 2015 and March 31, 2015 and which oblige the Company to sell Canadian dollars and buy U.S. $700,000 at exchange rates ranging from 1.1235 to 1.1250. 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 U.S. $700,000 to the client.

At December 31, 2013, the Company had entered into forward foreign exchange contracts with a financial institution that matured between January 1, 2014 and February 28, 2014 and obliged 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 bought Canadian dollars from and sold US$600,000 to the client between the above noted maturity dates.

The favorable and unfavorable fair values of these contracts were recorded on the Company's statement of financial position at December 31, 2014 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 2014, there were no transfers between the three-level fair value hierarchy described in note 3(p).

18. Accumulated other comprehensive income

Accumulated other comprehensive income ("AOCI") solely comprises the unrealized foreign exchange gain (commonly referred to as cumulative translation adjustment) arising on translation of the assets and liabilities of the Company's foreign subsidiaries which report in U.S. dollars and are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Changes in the AOCI balance during 2014 and 2013 are set out in the consolidated statement of changes in equity.

19. Financial risk management

The Company is exposed to credit, liquidity and market risks related to the use of financial instruments in its operations. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework through its Audit Committee. 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, including leasing, 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.

In its factoring operations, 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. In its leasing business, transactions up to $75,000 are approved by credit managers, amounts between $75,001 and $250,000 are approved by Varion's general manager or an officer, while amounts over $250,000 are approved by both Varion's general manager and its President. 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. In its factoring operations, the Company's primary focus continues to be on the credit-worthiness and collectability of its clients' receivables.

The Company's factoring 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, 2.9% were past due more than 60 days at December 31, 2014 (2013 – 4.9%). In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain predetermined 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 and leasing businesses, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, 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 financed are of the highest quality and that any inventory, equipment or other assets-securing loans are appropriately appraised. In its factoring operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. 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 factoring operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's leasing operations, security deposits are usually obtained in respect of each equipment lease or loan.

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, 2014, the Company had guaranteed accounts receivable in excess of $10 million for one customer.

The Company's credit exposure relating to its finance receivables and loans by industrial sector at December 31, 2014 and 2013 was as follows:

Industrial sector (in thousands)		2014 Gross finance receivables and loans	% of total
Financial and professional services	**$**	**52,545**	**38**
Manufacturing		**35,396**	**26**
Wholesale and distribution		**29,866**	**21**
Other		**20,302**	**15**
	$	**138,109**	**100**

Industrial sector (in thousands)		2013 Gross finance 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

The Company's credit exposure relating to its managed receivables by industrial sector at December 31, 2014 and 2013 was as follows:

Industrial sector (in thousands)		2014 Managed receivables	% of total
Retail	**$**	**58,454**	**73**
Wholesale and distribution		**17,593**	**22**
Other		**3,969**	**5**
	$	**80,016**	**100**

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

As set out in notes 3(d) and 5, the Company maintains an allowance for credit and loan losses on its finance receivables and loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts, which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations, including current economic trends, condition of the loan and receivable portfolios and typical industry loss experience.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, notes payable, due to clients, and accounts payable and other liabilities. Revolving credit lines totalling approximately $136,000,000 have been established at a number of banking institutions, bearing interest varying with the bank prime rate or LIBOR. At December 31, 2014, the Company had borrowed $63,994,915 (2013 – $43,368,363) against these facilities. These lines of credit are collateralized primarily by finance receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit as at December 31, 2014. 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, 2014, 89% (2013 – 88%) of these notes were due to related parties and 11% (2013 – 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, 2014, the Company had gross finance receivables and loans totalling $138,109,000 (2013 – $111,287,000), which substantially exceeded

its total liabilities of $93,155,000 at that date (2013 – $67,378,000). 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, intangible assets and goodwill, are expected to be settled within 12 months at the values stated in the consolidated statements 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 foreign operations which operate in U.S. dollars, to the full extent of the foreign operations net assets of approximately U.S. $25,000,000 at December 31, 2014. The Company's investment in its foreign operations 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 foreign operations 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 AOCI component of equity (note 18). The Company is also subject to foreign currency risk on the earnings of its foreign operations which report in U.S. dollars and are unhedged. Based on the foreign operations results for the year ended December 31, 2014, a one cent change in the U.S. dollar against the Canadian dollar would change the Company's annual net earnings by approximately $36,000. It would also change other comprehensive income or loss and the AOCI component of equity by approximately $250,000.

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally factored receivables and loans, cash, bank indebtedness, due to clients and notes payable. 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, 2014, the Company's unhedged foreign currency positions in its Canadian operations totalled $128,000 (2013 – $31,000). 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 1% 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 floating rate finance receivables and loans substantially exceed its floating and short-term fixed rates (usually 30 days) 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. However, in the Company's leasing business, lease

receivables and term loans to clients are usually at fixed effective interest rates, while related bank borrowings are currently at floating rates.

The following table shows the interest rate sensitivity gap at December 31, 2014:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	Non-rate sensitive	Total
Assets					
Cash	$ 4,990	$ —	$ —	$ 2,113	$ 7,103
Finance receivables and loans, net	128,380	3,026	6,515	(1,575)	136,346
Assets held for sale	—	—	—	2,172	2,172
All other assets	—	1,234	—	7,769	9,003
	133,370	4,260	6,515	10,479	154,624
Liabilities					
Due to clients	—	—	—	6,638	6,638
Bank indebtedness	250	63,745	—	—	63,995
Notes payable	16,808	—	—	—	16,808
All other liabilities	—	1,227	—	4,624	5,851
Equity	—	—	—	61,332	61,332
	17,058	64,972	—	72,594	154,624
	$116,312	$ (60,712)	$ 6,515	$ (62,115)	$ —

Based on the Company's interest rate positions as at December 31, 2014, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $560,000 over a one year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

20. 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, finance receivables and loans are classified as Level 3.

21. 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: (a) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (b) maintain a capital structure that allows the Company to finance its growth using internally generated cash flow and debt capacity; and (c) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to equity and its equity to total assets. As a percentage, these ratios were 132% (2013 – 109%) and 40% (2013 – 44%), respectively, at December 31, 2014, 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 finance 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, 2014, AFIC and AFIU are required to maintain a debt to TNW ratio of less than 4.0, on a combined basis. Varion is required to maintain a debt to TNW ratio of less than 3.0. The Company was fully compliant with its banking covenants at December 31, 2014. There were no changes in the Company's approach to capital management from the previous year.

22. Segmented information

The Company operates and manages its businesses in one dominant industry segment – providing asset-based financial services to industrial and commercial enterprises, principally in Canada and the United States. There were no significant changes to capital assets during 2014 and 2013. For additions to intangible assets and goodwill, which were acquired as part of the Varion purchase on January 31, 2014 and are part of Canadian operations, please refer to notes 8 and 9.

2014 (in thousands)	**Canada**	**United States**	**Inter-company**	**Consolidated**
Identifiable assets	**$ 127,089**	**$ 63,498**	**$ (35,963)**	**$ 154,624**
Revenue	**$ 20,700**	**$ 9,556**	**$ (21)**	**$ 30,235**
Expenses				
Interest	**2,309**	**235**	**(21)**	**2,523**
General and administrative	**11,905**	**4,248**	**—**	**16,153**
Provision for credit and loan losses	**672**	**(33)**	**—**	**639**
Depreciation	**88**	**38**	**—**	**126**
Business acquisition expenses	**570**	**—**	**—**	**570**
	15,544	**4,488**	**(21)**	**20,011**
Earnings before income tax expense	**5,156**	**5,068**	**—**	**10,224**
Income tax expense	**1,989**	**1,356**	**—**	**3,345**
Net earnings	**$ 3,167**	**$ 3,712**	**$ —**	**$ 6,879**

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

23. Subsequent events

At February 17, 2015 there were no subsequent events occurring after December 31, 2014 that required disclosure.

Corporate Information

Board of Directors

Ken Hitzig, Toronto, Ontario [2]

David Beutel, Toronto, Ontario [1, 3]

Tom Henderson, Greenville, South Carolina

Robert S. Sandler, White Plains, New York [2, 3]

John J. Swidler, Montreal, Quebec [1, 3]

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

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

Officers

Ken Hitzig, Chairman of the Board

Tom Henderson, President & CEO

Stuart Adair, Senior Vice President, Chief Financial Officer

Jim Bates, 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 6th, 2015** at 4:15 pm at The Toronto Board of Trade First Canadian Place, Toronto, Ontario

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