Annual Report 2011

Strength and Stability in a Challenging World

Accord Financial

Keeping Business Liquid

Strength and Stability in a Challenging World

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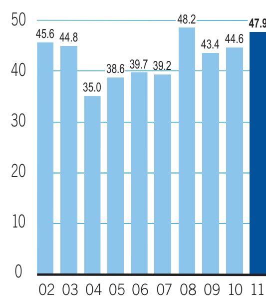
This year's Annual Report looks at Accord Financial's strength and stability. 2011 can be characterized as a year full of economic and political challenges around the globe. Accord, also affected by these issues, used its strength and stability to respond to the uncertainty of the year by providing effective financial solutions to its clients.

Accord's stability is a result of many facets; financial strength, experienced management, superior client service, quick response time, innovative solutions, long-term relationships and international services. These are some of the many strengths that result in Accord's success and stability even in challenging times.

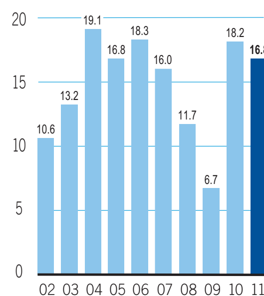
Management's Roundtable discusses several of the year's challenges; it details Accord's response and its recognition of opportunities. In addition, the Chairman and President's Letters to the Shareholders, Management's Discussion and Analysis and Consolidated Financial Statements, and notes thereto, provide you with further insights into Accord.

It is with this strength and stability that Accord Financial is keeping business liquid.



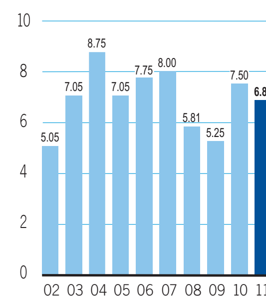
Equity
(in millions of dollars)

Equity totalled $47.9 million at December 31, 2011, which represented a record high book value per share of $5.49.



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

Return on average equity was a reasonable 16.8% in 2011.



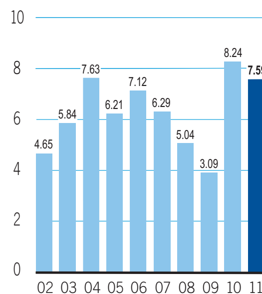
Share Price
(close at December 31 in dollars)

Accord's share price closed 2011 at $6.87 down from $7.50 last year-end.

Three Year Financial Highlight Summary

	2011	2010	2009
Operating Data Years ended December 31 (in thousands of dollars except where indicated)			
Factoring volume (in millions)	**$ 1,914**	$ 2,120	$ 1,748
Revenue	**28,408**	31,406	24,045
Net earnings	**7,585**	8,243	3,089
Return on average equity	**16.8%**	18.2%	6.7%
Financial Position Data At December 31 (in thousands of dollars)			
Total assets	**$ 98,309**	$ 113,124	$ 97,937
Equity	**47,855**	44,560	43,355
Common Share Data (per common share)			
Earnings per share - basic and diluted	**$ 0.85**	$ 0.88	$ 0.33
Dividends paid	**0.30**	0.28	0.26
Share price - high	**8.25**	8.14	6.70
- low	**6.50**	5.25	5.25
- close at December 31	**6.87**	7.50	5.25
Book value at December 31	**5.49**	4.92	4.61

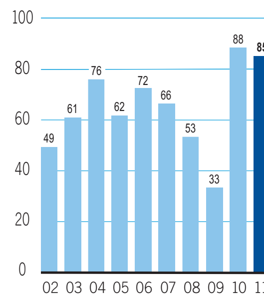
**2011 and 2010 amounts for revenue, net earnings, total assets, equity and earnings per share were prepared in accordance with International Financial Reporting Standards, while 2009 amounts were prepared in accordance with Canadian GAAP.*



Net Earnings

(in millions of dollars)

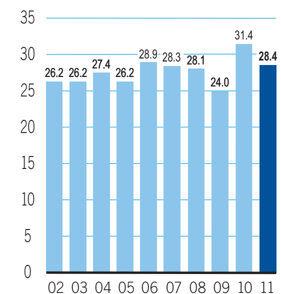
Net earnings came in at $7.59 million in 2011, 8% below the record $8.24 million achieved in 2010.



Diluted Earnings per Share

(in cents)

Diluted earnings per share were 85 cents in 2011, 3% below the record 88 cents earned in 2010. They were Accord's second best EPS ever.



Revenue

(in millions of dollars)

Revenue was $28.4 million in 2011, 10% below last year's record $31.4 million largely on lower factoring volume.

Strength and Stability in a Challenging World

2011 can be marked as the year of the beginning of the economic recovery in Canada and the United States. While we're grateful for that, it should be noted that the recovery has been weak and North America still has a long way to go to recapture the momentum of earlier years. Thoughts of bright days ahead are clouded by the economic and credit issues in Europe; hopefully, they will have a minimal effect on this side of the ocean.

With these headwinds, Accord had to confront increased competition, especially in the United States. Many banks that had reduced their activity in our sector in the past few years, renewed their involvement with vigor in 2011, their major weapon being low interest rates. We have always had competition from banks in Canada partly due to the fact that they have provided "asset-based" loans for many years. That competition continues. The major competition we now face in our non-recourse factoring business is from the credit insurers, all of them owned by financially powerful overseas insurance companies. During the riskiest part of the recession from 2008 to 2010, a number of large Canadian retailers were deemed too dangerous for the insurers and they reduced or eliminated coverage for these companies. Accord was able to provide credit protection for these so-called dangerous customers and the ranks of our clients grew substantially. However, the tide turned in 2010 when the credit insurers resumed coverage. We lost most of the "temporary" clients by the end of 2011, and our volume of activity has returned to more normal levels.

There are two main services that Accord provides to its clientele. The first is non-recourse factoring, wherein we underwrite the credit for our clients' customers. The major benefit of non-recourse factoring for our clients is the reduction, and in most cases, the elimination of customer credit risk, with the resulting enhancement of their balance sheets and borrowing capacity. A side benefit is the assumption by Accord of the administrative effort to track and collect the client's receivables.

The second service that Accord provides is financing. Clients that avail themselves of this service use accounts receivable, inventory and equipment as collateral to obtain working capital funding from Accord. It is used by companies in transition and unable to tap bank funding; companies growing too quickly for the banks' comfort level; and companies that were requested to find funding facilities elsewhere for a variety of reasons including an unacceptable leverage ratio following a change of ownership.

We had a good year in 2011, although not quite as good as 2010. Net earnings for 2011 were $7,585,000, while earnings per share were 85 cents. The corresponding figures for 2010 were $8,243,000 and 88 cents. Our rate of return on average equity was 17% in 2011 versus 18% in 2010. Canadian operations generated earnings of $4,715,000 in 2011 compared with $5,010,000 in 2010. U.S. operations turned in earnings of $2,870,000 last year versus $3,233,000 the previous year. Accord's total outstandings fell to $94 million at December 31, 2011 from $108 million the previous year-end.

The Company continued and renewed its normal course issue bid and we repurchased 346,573 shares for cancellation in 2011 at a cost of $2,438,491, or an average of $7.04 per share. The number of common shares outstanding at year-end was 8,718,998, down from 9,065,571 at December 31, 2010 and 9,408,971 at December 31, 2009. Our shares closed the year at $6.87 in trading on the Toronto Stock Exchange. Our current annual dividend is 30 cents per common share and, at year-end, this provides a yield of 4.4% per annum.

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

The Year Ahead

With the U.S. and Canadian economies improving at a painfully slow rate, we have our work cut out for us to grow our business, and to do so without undue risk. However, we have the resources, human and financial, to move us forward. We have several initiatives underway to broaden our financial reach, raise our revenues, and widen our yields.

My thanks go to Tom Henderson who took over my job as President in mid-2009 and has done a fine job. His management team has done great things under Tom's leadership, and my thanks go out to them as well. I'm grateful to our directors and shareholders who gave us continued support. I look forward to seeing you at our Annual Meeting on May 2nd, 2012.

Ken Hitzig
Chairman of the Board

Toronto, Ontario
March 1, 2012

In Memoriam

John ("Jack") Lamont was one of the original investors in Accord back in its founding year of 1978. He knew the benefits of asset-based lending very well. In his early years as a customs broker he used this type of borrowing to propel his small company into a heavyweight in his industry. As far as he was concerned there was no need to read the tedious material in Accord's prospectus. He had no doubt Accord would be successful and that he would profit handsomely from his investment. He was right on both counts.

Jack was on Accord's Board of Directors for over 20 years. He looked forward to board meetings and was usually the first to arrive for them. He retired from the board in 2010. After battling cancer for over a year, he succumbed in October 2011. He will be missed.

Keeping Business Liquid

In many respects we pulled in some half decent numbers in 2011. However, we endured significant setbacks most of which are unlikely to ever be repeated. Our non-recourse business saw its volume fall substantially as clients migrated to the credit insurers who aggressively reopened their credit spigots. Our U.S. business saw numerous clients "graduate" to bank financing as the U.S. banks greatly increased their appetite for leveraged loans. We saw yet another write-down of our assets held for sale in the U.S., this time in the amount of $462,000. Finally, our Canadian recourse business wasn't spared extraordinary setbacks as it experienced a serious loan loss at the close of 2011 that spoiled what otherwise would have been a marvelous year.

The volume of receivables processed in 2011 declined from a record high $2.1 billion in 2010 to $1.9 billion. Non-recourse volume declined by 25%, while recourse volume rose by 2%. This, along with a reduction in recourse yields, resulted in revenue falling by 10% to $28.4 million. Interest cost rose by 18% to $2.0 million, which reduced our net interest "spread" by 11% to $26.4 million. General and administrative ("G&A") expenses, including depreciation, fell to $13.7 million from $14.8 million in 2010. The provision for credit and loan losses was lower by 33% at $886,000, while the impairment of assets held for sale also declined to $462,000 from $1,237,000 a year ago.

Net earnings for 2011 were 8% lower at $7,585,000 or 85 cents per share. This compares with a record $8,243,000 or 88 cents per share earned the previous year. Return on average equity declined from 18% in 2010 to 17% in 2011.

Earnings per share declined by only 3% because the Company was successful in buying back a substantial number of shares under its issuer bids in 2011 and late 2010. The number of common shares outstanding at year-end was 8,718,998, down from 9,065,571 a year earlier. Total dividends paid amounted to 30 cents per share in 2011 compared with 28 cents in 2010.

So how did those respectable numbers come out of the proverbial hat given all of the forgoing? Reduced expenses were key to our results. G&A expenses, the provision for losses, impairment charge and depreciation declined by $2,364,000, in large part offsetting the decrease in revenue.

Revenue from operations in Canada decreased to $19.7 million in 2011 compared with $20.7 million in 2010 due to the reduction in volume and revenue in our non-recourse business. Net earnings from Canadian operations declined by 6% to $4,715,000 in 2011 compared with $5,010,000 in 2010.

In our U.S. operation, revenue declined to $8.7 million, down 19% from the previous year as clients graduated to bank finance and yields weakened somewhat as a result of competitive pressures. All expenses decreased in 2011 in our U.S. operation. Our net earnings were down 11% from $3,233,000 in 2010 to $2,870,000 in 2011.

The 2011 results of your Company were achieved in a period of continuing economic weakness which, in turn, produced lackluster loan demand from low and mid-market companies in Canada and the U.S. Who can forget the headlines that undermined the confidence of entrepreneurs? We had the "Arab Spring" which is now heading into its second year. The Japanese earthquake and tsunami followed by the disastrous flooding in Thailand disrupted global supply chains for most of the year. The never ending Euro zone crisis threatened global liquidity. Concern over China's slowing growth rate, and dangerously high U.S. deficit spending served

International Services: Our international credit team specializes in cross-border business, simplifying the financing and management of international receivables for clients. Our unique AccordOctet program provides import financing for North American companies sourcing goods in China, while our alliance with Factors Chain International facilitates seamless credit and collection services through a network of 250+ factoring companies in over 65 countries.

to further reduce confidence. Iran sabre rattling amid the usual Mid-East political posturing made everyone jumpy. Continuing stubbornly high U.S. unemployment, while showing recent signs of improvement, contributed to political gridlock amid increasing acrimony and class polarization just prior to an important election cycle.

Faced with greatly reduced loan demand and the avaricious appetite of the U.S. banks and Canadian credit insurers, it is no surprise that our portfolio fell by 25% during the year. Accord clients operated in a period of great flux and uncertainty all year and it is a testament to our skilled staff that bad debt expenses were so well controlled save the one incident mentioned above. It should be noted that our combined credit and loan losses and impairment charge fell almost 50% from 2010.

At Accord, like you, we yearn for a "normal" year. Even under what has been termed the "new normal" it does seem we are well overdue for a return to improved loan demand and competition that is more long-term focused than purely reactionary. I will confess to expecting the former before seeing much of the latter.

While enduring the setbacks noted above it is important to note the accomplishments during the year that will enhance the long-term value of your Company. I start with the appointment of Simon Hitzig as the President and CEO of our non-recourse business on July 1st preceded at the start of the year by the elevation of Jim Bates to Chief Operating Officer of that operation. As many of you know Simon had been a member of our Board and came to Accord, at my urging, after a very successful career in the Canadian mutual fund industry. Simon replaced Mark Perna whose ambition was to dial back his daily involvement in the business. Happily, Mark has stayed on, and, reporting to Simon, is actively engaged in a number of operating and very promising strategic initiatives. Simon's marketing and product development experience will soon result in new growth avenues for this business. We are just 8 months into this management transition but I can already tell you the manner in which it has evolved leaves me highly confident we are embarking on an exciting new chapter.

Moving on to our Canadian lending business I am pleased to report the continued strengthening of our management team, including the addition of two experienced new business executives in our Toronto office. Some of the operating staff at the Montreal office have been given new and/or expanded responsibilities as a result of their demonstrating increased competence. All of this positions them to respond even more effectively to new business opportunities as they arise. To maximize new business possibilities they have just retained a marketing consultant to review and make suggestions for more effective strategies. And, if that's not all, in November they hosted the first ever meeting of the operating staffs of both of our lending businesses. Our U.S. business sent eight people to Montreal for a daylong meeting with twelve of their counterparts. During this meeting they compared operating methods and made recommendations for changes and enhancements to take advantage of best practices within Accord and to further synchronize operating procedures and systems.

Finally, at our U.S. business, whose model eschews the retention of area marketing representatives on the basis that there are too many geographic markets to cover and area reps can tend to slow down the process of closing new transactions, further investments have been made in supporting its extensive database of referral sources. First, a data retention and management system was installed to which all source data was

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

migrated. Second, three new staff were retained to manage the data and to communicate with the sources via phone and email. Third, a marketing consultant was retained to advise on the best utilization of that database. Recommendations accepted and now in process include establishing a mini website exclusively for use by their private equity sponsor sources and the production of videos for the site featuring commentary from our executives. Finally, they have been persuaded to start a series of blogs featuring thoughts on a variety of issues affecting their audience. All of this promises more new inquiry activity for this year and those ahead.

Given what we experienced in 2011, we are beginning 2012 at a lower level of business activity and I expect it will take most of this year to return to where we were one year ago. However, due to the initiatives highlighted above in which we continue to invest, there can be no doubt about the increased value being created in your Company.

Our Annual General Meeting of Shareholders takes place this year on May 2nd in Toronto at the Toronto Board of Trade at 4:15 PM. Please consider attending. Our Chairman, Ken Hitzig, executive staff, directors and I would be happy to greet you and answer any questions you have about your Company.

Sincerely,

Tom Henderson
President & Chief Executive Officer
March 1, 2012

Accord's Financial Services

Non-recourse factoring

In over 30 years of operations, Accord has emerged as a major player in Canadian non-recourse factoring providing credit protection and collection services to clients in a wide variety of industries. The industries we serve range from the old-world economy to the technology of today. We have one of the top-ranked credit departments in the country with an immense amount of experience and expertise.

Recourse factoring

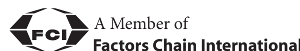
Offered in both the Canadian and U.S. markets, Accord's recourse factoring services focus on small- to medium-sized companies which larger asset-based lenders overlook. Our extensive access to capital positions Accord as a very reliable source of funds at competitive rates. We strive to provide superior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

Asset-based lending

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

International trade financing

Our international credit team specializes in cross-border business, simplifying the financing and management of international receivables for clients. Our unique AccordOctet program provides import financing for North American companies sourcing goods in China, while our alliance with Factors Chain International facilitates seamless credit and collection services through a network of more than 250 factoring companies in over 65 countries worldwide.



Keeping Business Liquid Since the 1970s

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

Ken Hitzig acted as moderator.

Ken: *I will begin by explaining to our readers why there is a similarity in our corporate names. One of Tom's first acts when he became Chief Executive Officer in 2009 was to name all three operating companies "Accord Financial". We thereby created an Accord brand across all units. Our non-recourse factoring business was re-named Accord Financial Ltd. (AFL); and our Canadian recourse factoring business became Accord Financial Inc. (AFIC). Our U.S recourse factoring business was already named Accord Financial, Inc. (AFIU). Only a comma separates the last two, but to lawyers a comma means a lot.*

We had a good year in 2011, although not quite as good as 2010. Let's go around the table and try to analyze why we fell a bit short, and then we'll look into our crystal ball to see what we'll be doing differently in 2012 to produce better results. We'll start with Simon, who took over the reins at AFL in mid-2011.

Simon: The Canadian economy began a retreat in 2007 and 2008 and the retail sector, in which we are heavily involved, became somewhat dangerous from a credit perspective. The largest retailers became the most dangerous and the credit insurers drastically reduced or eliminated credit coverage. Hundreds of suppliers were looking "for a port in the storm" so-to-speak. Accord rose to the occasion and crafted a plan to provide this coverage. In 2009 and 2010 we signed dozens of new clients, and our annual volume leapt to over $900 million in each year. We recorded record high income in 2010. But the storm clouds began to clear in 2011, troubled retailers became healthy again and the credit insurers resumed their coverage. As a result many of the new clients left AFL and its volume fell by 25% in 2011.

Ken: *One would get the impression that the credit insurers provide the proverbial umbrella when the sun shines, and then take it back when it rains. Is that an apt description?*

Simon: Some of our clients thought so. But they were grateful that Accord didn't remove its umbrella during the storm.

Ken: *It was obviously a challenging year. How were your credit losses?*

Simon: AFL's credit losses were six basis points of volume, up from five basis points in 2010. Both of these were well within the range of acceptable write-offs.

Ken: *That speaks a lot for the quality of your credit department. I know that most of your credit officers are really veterans of the trade. How would you summarize your overall results for 2011?*

Simon: Our volume decline from 2010 can be mostly attributed to the migration of clients to the credit insurers. There was a corresponding drop

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

in revenue, partly offset by a reduction in our provision for credit losses. The bottom line was depressed by about 35% compared to the record year we enjoyed in 2010. The lost business did most of the damage.

Ken: *Let's move on to Fred. Fred, AFIC handled more volume and grossed more revenue in 2011 than 2010, but your bottom line was virtually unchanged. Tell us what happened.*

Fred: It all came down to loan losses. One client got ahead of us in the fourth quarter and opened up a big gap between our loan and our realizable collateral. This account required a reserve of $850,000 at year-end. The client is still in business and we're working with him to close the gap. But for this incident, AFIC would have recorded a great year.

Ken: *What have you learned from this incident?*

Fred: Plenty Ken. In fact we are doing a post-mortem on it to institutionalize throughout Accord what we have learned. I take matters like this very seriously and although we expect to have loan losses in our business, I want to be certain we never again witness this kind of loss.

Ken: *You grew your top line in 2011. Was competition an issue?*

Fred: It never goes away. Our competition includes asset-based lenders and the banks. We all compete on loan-structure, advance rates, interest rates and timing. But we get our share of the business. In recourse factoring alone, there are about 50 players in Canada, and we are the largest, and have almost double the business of the second largest.

Ken: *We'll move on to our U.S. operation, AFIU. Tom, your volume fell, your revenue fell, and yet you managed to achieve a bottom line only $269,000 less than the previous year, a decline of 8%. How did that come about?*

Tom: Actually, our overhead was a little higher, but our provision for loan losses and our impairment charge were much lower than 2010. That's what did it.

Ken: *The revenue number declined by 15% from 2010. Is it fair to say that was the major reason for the lower profit?*

Tom: It was. And there was a reason for that. Many banks that had retreated from commercial and industrial lending during the recession decided the time was ripe to re-enter the market. Their major weapon is low rates. This caused rate compression for all players including AFIU, as well as the loss of numerous clients who decided to take advantage of the lower rates offered to them.

Ken: *I trust you folks have a strategy for 2012 to overcome your challenges. Simon?*

Simon: We will be introducing new services this year which will partially shield us from competition. We expect to roll out a supply chain financing program to link Asian exporters with North American importers. You only have to examine the export numbers from China, for example, to realize the enormous potential in that market.

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

Ken: *Won't you be in competition with the banks? Their letter-of-credit facilities have been around a long time.*

Simon: We'll compete by providing a superior service which, in many cases, will actually be more cost-effective than letters-of-credit.

Ken: *Sounds very interesting. Will you have other services to introduce in 2012?*

Simon: There's one or two that we are researching and which we would rather not reveal at this time for competitive reasons. We are also exploring the possibility of broadening our reach in our existing service sector.

Ken: *Fred, what will you be doing in 2012 to increase your business?*

Fred: The Canadian economy is growing, albeit slowly. But that's better than the alternative. We will intensify our marketing efforts by contacting our referral sources more frequently, using our contacts with organizations like the Turnaround Management Association, accountants, and others. We will continuously update our website, as well as participate at factoring and financing conferences and seminars.

Ken: *Tom, you mentioned some formidable challenges from aggressive banks. How do you counter them?*

Tom: The banks don't have the infrastructure necessary to handle the business they acquired in 2011. They have the money, but the specialized personnel and systems are, for the most part, lacking. Many of their new borrowers may get out of line and violate their loan covenants, and the banks don't have the patience or the staff to deal with that.

Ken: *Which means . . . ?*

Tom: They will be candidates for AFIU.

Ken: *With competition from the banks and other finance companies, what is AFIU's edge?*

Tom: We get a fair amount of referrals from the private equity people. Our biggest edge is "speed". This means that when a private equity firm is contemplating an acquisition and needs funding to make it happen, they cannot afford to wait months for a response from a bank, or other financial institution. AFIU can put together a deal and fund it, almost always in less than three weeks.

Ken: *Sounds like a big edge to me.*

Tom: It is. Furthermore, if the potential deal is not for us we won't waste anybody's time – we'll let them know without delay. We revamped our marketing strategy in 2011 which we hope will bring us new business. This includes our new data retention and management system; three new staff members to contact referral sources; establishing a mini website for our private equity sponsors; and other features. We will be more aggressive than ever before.

Ken: *Financial statements only tell part of the story. We hope this discussion will enlighten our shareholders on the rest of the story. Gentlemen, thank you for your time.*

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, 2011 compared with the year ended December 31, 2010 and, where presented, the year ended December 31, 2009. 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 21, 2012, should be read in conjunction with the Company's 2011 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 2011 Annual Report. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

The Company adopted International Financial Reporting Standards ("IFRS") effective January 1, 2011, with a transition date of January 1, 2010. The Company's adoption of IFRS is discussed later in this MD&A and in the Statements. It is noted that the 2010 audited financial statements included in the Company's 2010 Annual Report were prepared in accordance with Canadian generally accepted accounting principles ("Previous GAAP"). The Company has restated its 2010 annual consolidated financial statements and January 1, 2010 consolidated statement of financial position prepared in accordance with Previous GAAP to comply with IFRS, thereby effectively transitioning to IFRS on January 1, 2010 (please see note 20 to the Statements). As a result, all 2010 comparative financial information presented in this 2011 Annual Report was prepared in accordance with IFRS. The restatements made did not have a significant impact on the Company's financial position or results of operations (please refer to note 20(d) to the Statements). Selective financial information and non-GAAP measures for 2009 have also been presented in this MD&A for comparative purposes. The 2009 financial information was prepared in accordance with Previous GAAP. If the 2009 financial statements had been prepared in accordance with IFRS, they would not have been significantly different than those that were reported under Previous GAAP.

All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated. Please refer to the Critical Accounting Policies and Estimates section below and note 2 to the Statements regarding the Company's use of accounting estimates in the preparation of its financial statements in accordance with IFRS.

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 assess its performance and some of these are presented herein to help the reader better understand certain aspects of the Company's operating performance and financial position. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using these measures and are, therefore, considered to be non-IFRS measures. The Company derives these measures from amounts presented in its Statements, which were prepared in accordance with IFRS with the exception of 2009 amounts prepared in accordance with Previous GAAP. The Company's focus continues to be on IFRS measures and any other information presented herein is purely supplemental to help the reader better understand aspects of its business. The non-IFRS measures (non-GAAP measures for 2009) presented in this MD&A are defined as follows:

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

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

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

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

iv) Financial condition and leverage – Table 2 on page 16 presents the following percentages: (i) tangible equity (equity less goodwill and deferred tax assets) 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 for the last three years, provide information on trends in the Company's financial condition and leverage.

v) Credit quality – Table 3 on page 18 presents information on the quality of the Company's total portfolio, namely, its factored receivables and loans (collectively "Loans" or "funds employed") and managed receivables. It presents the Company's year-end allowances for losses as a percentage of its total portfolio and its annual net charge-offs. It also presents the net charge-offs expense as a percentage of total factoring volume. The percentage of managed receivables past due is also presented in Table 3.

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

Accord's Business

Accord is a leading North American provider of factoring and other asset-based financial services to businesses, including financing, collection services, credit investigation and guarantees. The Company's financial services are discussed earlier in this Annual Report. Its clients operate in a wide variety of industries, examples of which are set out in note 18(a) to the Statements.

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

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

Results of Operations

Years ended December 31 (in thousands unless otherwise stated)	2011 Actual	2011 % of Revenue	2010 Actual	2010 % of Revenue	% change from 2010 to 2011
Factoring volume (millions)	**$ 1,914**		$ 2,120		**-10%**
Revenue					
Factoring commissions, discounts, interest and other income	**$ 28,408**	**100.0%**	$ 31,406	100.0%	**-10%**
Expenses					
Interest	**2,047**	**7.2%**	1,730	5.5%	**18%**
General and administrative	**13,558**	**47.7%**	14,679	46.7%	**-8%**
Provision for credit and loan losses	**886**	**3.1%**	1,325	4.2%	**-33%**
Impairment of assets held for sale	**462**	**1.6%**	1,237	4.0%	**-63%**
Depreciation	**130**	**0.5%**	159	0.5%	**-18%**
	17,083	**60.1%**	19,130	60.9%	**-11%**
Earnings before income tax expense	**11,325**	**39.9%**	12,276	39.1%	**-8%**
Income tax expense	**3,740**	**13.2%**	4,033	12.9%	**-7%**
Net earnings	**$ 7,585**	**26.7%**	$ 8,243	26.2%	**-8%**
Basic and diluted earnings per common share	**$ 0.85**		$ 0.88		**-3%**

Selected Annual Information

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

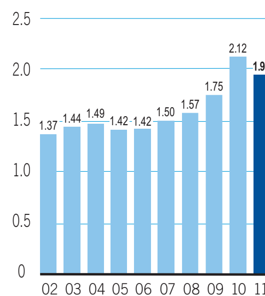
	2011	2010	2009
Revenue	**$ 28,408**	$ 31,406	$ 24,045
Net earnings	**7,585**	8,243	3,089
Basic and diluted earnings per share	**0.85**	0.88	0.33
Dividends per share	**0.30**	0.28	0.26
Total assets	**$ 98,309**	$113,124	$ 97,937

Results of Operations

Fiscal 2011: *Year ended December 31, 2011 compared with year ended December 31, 2010*

The Company's net earnings declined by $658,000 or 8% to $7,585,000 in 2011 from the record $8,243,000 earned in 2010 but were 146% above 2009's net earnings of $3,089,000. Net earnings decreased compared to 2010 principally as a result of lower revenue. Net earnings increased compared to 2009 as a result of higher revenue, a lower provision for credit and loan losses and a reduced impairment charge on assets held for sale. Despite an 8% decline in net earnings, earnings per common share for 2011 decreased by only 3% to 85 cents from the record 88 cents earned in 2010 as a result of a lower share count this year. Earnings per common share were 158% higher than the 33 cents earned in 2009. The Company's ROE declined to 16.8% in 2011 compared to 18.2% last year but was significantly higher than the 6.7% in 2009.

Factoring volume decreased by 10% to $1,914 million this year compared to the record $2,120 million achieved in 2010. Non-recourse factoring volume declined by 25%, while recourse volume rose by 2%. Non-recourse volume declined on the departure of numerous clients as a number of previously risky retail customers improved to credit-worthy status. This saw the credit insurers re-enter the market offering aggressive rates for these accounts when the risk dissipated. The Company lost a number of significant clients as a result. International volume, mostly cross-border business between the U.S. and Canada, declined to $402 million compared



Factoring Volume

(in billions of dollars)

Factoring volume declined 10% to 1.91 billion from the record $2.12 billion in 2010 but was still the second highest in the last ten years.

to $433 million in 2010. International volume comprised 21% of the Company's total volume in 2011, up from 20% in 2010.

Revenue declined by 10% or $2,998,000 in 2011 to $28,408,000 compared to the record $31,406,000 achieved in 2010 but was 18% higher than the $24,045,000 in 2009. Revenue principally declined compared to last year as a result of lower non-recourse factoring volume and somewhat lower recourse factoring yields. Revenue rose compared to 2009 principally as a result of higher factoring volume and increased funds employed, as well as improved yields and reduced non-performing loans.

Interest expense rose by $317,000 or 18% to $2,047,000 in 2011 from $1,730,000 last year as a result of an 8% increase in average borrowings (bank indebtedness and notes payable) and somewhat higher interest rates. Borrowings mainly rose to finance the repurchase of shares under the Company's issuer bids and fund a 4% increase in average funds employed.

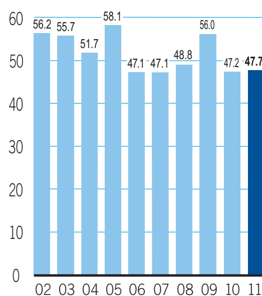
G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. In 2011, G&A decreased by 8% or $1,121,000 to $13,558,000 from $14,679,000 last year. G&A expenses declined primarily as a result of a lower stock-based compensation expense relating to the Company's share appreciation rights ("SARs") and reduced employee profit sharing. There was a $76,000 stock-based compensation recovery in 2011 compared to a $350,000 expense in 2010; the 2011 recovery resulted from a decline in the Company's share price which lowered the Company's liability in respect of outstanding SARs. The Company continues to manage its controllable expenses closely. On lower revenue, G&A totalled 48% of revenue in 2011 compared to 47% in 2010.

The provision for credit and loan losses declined by 33% to $886,000 in 2011 from $1,325,000 last year. The provision for credit and loan losses in 2011 and 2010 comprised:

Year ended Dec. 31 (in thousands)	2011	2010
Net charge-offs	$ 1,513	$ 1,037
Reserves (recovery) charge related to (decrease) increase in total allowances for losses	(627)	288
	$ 886	$ 1,325

The provision for credit and loan losses as a percentage of revenue decreased to 3.1% in 2011 from 4.2% in 2010 on the large reserves recovery. Net charge-offs increased by 46% to $1,513,000 compared to $1,037,000 in 2010, while there was a reserves recovery of $627,000 this year compared to a $288,000 expense last year. The Company's allowances for losses are discussed in detail below. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies. The Company continues to employ a conservative approach to determining its allowances for losses and providing for charge-offs.

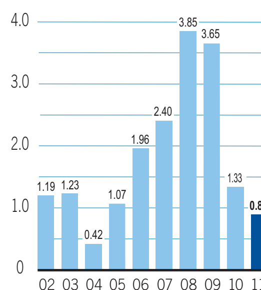
An impairment charge of $462,000 was taken in 2011 against the assets held for sale as appraisals thereof determined that their net realizable value had declined



Operating Expenses

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

Operating expenses rose slightly to 47.7% of revenue in 2011 from 47.2% last year as revenue declined.



Provision for Credit and Loan Losses

(in millions)

The provision declined by 33% to a reasonable $0.89 million in 2011 compared to $1.33 million in 2010. It was the second lowest in the last ten years.

Summary of Quarterly Financial Results*

(in thousands unless otherwise stated)	2011				2010			
Quarters ended	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	Dec. 31	Sept. 30	June 30	Mar. 31
Factoring volume (millions)	**$ 453**	**$ 524**	**$ 455**	**$ 482**	$ 532	$ 583	$ 500	$ 505
Revenue								
Factoring commissions, discounts, interest and other income	**$ 7,371**	**$ 7,342**	**$ 6,828**	**$ 6,867**	$ 8,217	$ 8,141	$ 8,069	$ 6,979
Expenses								
Interest	**484**	**524**	**543**	**496**	460	476	408	385
General and administrative	**3,533**	**3,294**	**3,194**	**3,538**	3,694	3,765	3,646	3,574
Provision for credit and loan losses	**(312)**	**181**	**570**	**446**	(345)	602	510	559
Impairment of assets held for sale	**—**	**—**	**462**	**—**	86	1,151	—	—
Depreciation	**40**	**31**	**30**	**29**	40	44	42	33
	3,745	**4,030**	**4,799**	**4,509**	3,935	6,038	4,606	4,551
Earnings before income tax expense	**3,626**	**3,312**	**2,029**	**2,358**	4,282	2,103	3,463	2,428
Income tax expense	**1,281**	**1,064**	**635**	**760**	1,322	736	1,156	819
Net earnings	**$ 2,345**	**$ 2,248**	**$ 1,394**	**$ 1,598**	$ 2,960	$ 1,367	$ 2,307	$ 1,609
Basic and diluted earnings per common share	**$ 0.27**	**$ 0.25**	**$ 0.16**	**$ 0.18**	$ 0.32	$ 0.15	$ 0.25	$ 0.17

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

below book value. A $1,237,000 charge was taken last year for the same reason (see note 6 to the Statements and discussion below). The net realizable values of the assets held for sale were determined by professional appraisals.

Income tax expense decreased by 7% to $3,740,000 in 2011 compared to $4,033,000 last year on an 8% decline in pre-tax earnings. The Company's effective corporate income tax rate for 2011 increased to 33.0%, slightly higher than last year's 32.8% as a result of a higher tax rate in our U.S. operation, which more than offset the impact of reduced Canadian tax rates in 2011.

Table 1 – Profitability, Yield and Efficiency Ratios

(as a percentage)	**2011**	2010	2009
Return on Average Assets	**7.2**	7.8	3.1
Return on Average Equity	**16.8**	18.2	6.7
Net Revenue/Average Assets	**24.9**	28.1	22.7
Operating Expenses/ Average Assets	**13.0**	14.0	13.4

Table 1 highlights the Company's profitability in terms of returns on its average assets and equity. In 2011, on lower net earnings, these percentages declined to 7.2% and 16.8%, respectively.

Net revenue as a percentage of average assets declined to 24.9% compared to 28.1% in 2010 as net revenue decreased at a faster rate than funds employed. The ratio of G&A to average assets decreased to 13.0% in 2011 compared with 14.0% last year largely as a result of the 8% decline in G&A.

Canadian operations

Net earnings from Canadian operations decreased by $295,000 or 6% to $4,715,000 in 2011 compared to $5,010,000 last year as a result of lower revenue. Please see note 21 to the Statements.

Revenue declined by 5% or $982,000 to $19,717,000 in 2011 compared to $20,699,000 last year on a 9% fall in volume. Interest expense rose by $401,000 or 28% to $1,816,000 as a result of higher average borrowings and rates in 2011, while the provision for credit and loan losses increased $350,000 or 46% to $1,115,000 on higher net charge-offs. G&A decreased by $1,098,000 or 10% to $10,071,000 for reasons noted above. Depreciation was $31,000 lower at $110,000. Income

tax expense declined by 14% to $1,890,000 in 2011 on an 8% decrease in pre-tax earnings and lower Canadian federal and Ontario income tax rates.

U.S. operations

Net earnings from U.S. operations declined by $363,000 or 11% to $2,870,000 in 2011 compared to $3,233,000 last year largely as a result of lower revenue. Please see note 21 to the Statements. In U.S. dollars, net income decreased by 8% to US$2,884,000.

Revenue declined by 19% or $2,012,000 to $8,695,000 from the record $10,707,000 achieved last year on lower factoring volume and yields. Interest expense decreased by 25% or $80,000 to $235,000 compared to $315,000 last year on lower borrowings, while G&A declined by $23,000 to $3,487,000 largely as a result of the weaker U.S. dollar in 2011. The provision for loan losses declined by $790,000 to a recovery of $229,000 in 2011 compared to an expense of $561,000 last year on lower net charge-offs and a reserves recovery resulting from a lower allowance for losses. In fact in 2011, AFIU had no actual charge-offs. U.S. operations booked an impairment charge of $462,000 against the assets held for sale compared to a $1,237,000 charge last year. Income tax expense rose to $1,850,000 from $1,834,000 in 2010. The average value of the U.S. dollar declined by 4% in 2011 compared to 2010, which served to reduce the Canadian dollar equivalent of the AFIU's revenue and net earnings by approximately $350,000 and $90,000, respectively.

Fourth quarter 2011: *Quarter ended December 31, 2011 compared with quarter ended December 31, 2010*

Net earnings for the quarter ended December 31, 2011 declined by 21% or $615,000 to $2,344,000 compared with the Company's best ever quarterly earnings of $2,959,000 last year. Net earnings principally decreased as a result of lower revenue. Earnings per common share decreased to 27 cents from the record 32 cents earned last year.

Factoring volume declined by 15% to $453 million in the quarter compared to the fourth quarter record $532 million in 2010. Volume in the Company's non-recourse factoring business declined by 39% for reasons explained above, while volume in its recourse factoring business rose by 4%.

Revenue declined by $846,000 or 10% to $7,371,000 compared to $8,217,000 in last year's fourth quarter. Revenue declined largely as result of lower non-recourse factoring volume.

Interest expense rose by 5% to $484,000 in the fourth quarter compared to $460,000 last year on somewhat higher borrowings and rates.

G&A for the quarter decreased by $161,000 or 4% to $3,533,000 compared to $3,694,000 last year. G&A declined principally as a result of lower profit sharing.

There was a recovery of credit and loan losses of $312,000 in the fourth quarter of 2011 compared to a recovery of $345,000 last year largely as a result of a large reserves recovery related to a decrease in the Company's total allowances for losses. The recovery of credit and loan losses comprised:

Quarter ended Dec. 31 (in thousands)	**2011**	2010
Net charge-offs (recoveries)	**$ 409**	$ (76)
Reserves recovery related to decrease in total allowances for losses	**(721)**	(269)
	$ (312)	$ (345)

There was no impairment charge taken against the assets held for sale in the fourth quarter of 2011, while an impairment charge of $86,000 was booked in last year's fourth quarter.

Income tax expense declined by $41,000 to $1,281,000 compared to $1,322,000 last year on lower pre-tax earnings. The effective income tax rate rose to 35.3%.

Review of Financial Position

Equity at December 31, 2011 totalled $47,855,000, an increase of $3,295,000 from $44,560,000 last year-end and $4,503,000 above the $43,352,000 at January 1, 2010. Book value per share rose to a record high $5.49 at

December 31, 2011 compared to $4.92 a year earlier and $4.61 at January 1, 2010. The increase in equity in 2011 and 2010 principally resulted from higher retained earnings. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 33 of this Annual Report.

Total assets declined to $98,309,000 at December 31, 2011 compared to $113,124,000 last year-end and were similar to the $98,260,000 at January 1, 2010. Total assets largely comprised net Loans which declined by $13,189,000 in 2011. As detailed in the Ten Year Financial Summary, total assets have grown significantly in the last decade as a result of growth in the Company's recourse factoring and asset-based lending business.

Table 2 – Financial Condition and Leverage

(as a percentage)	2011	2010	2009
Tangible Equity/Assets	**47**	38	43
Equity/Assets	**49**	39	44
Debt (bank indebtedness & notes payable)/Equity	**87**	123	106
Receivables and Loans ($000)			
Loans	**90,626**	104,042	91,435
Managed Receivables	**102,004**	153,861	155,360
Total Portfolio	**192,630**	257,903	246,795

Table 2 highlights the Company's financial condition and leverage. The first two ratios in the table (47% and 49%), detailing equity as a percentage of assets, rose in 2011 as assets declined. Meanwhile, the debt to equity ratio declined to 87% in 2011. These ratios indicate the Company's continued financial strength and relatively low degree of leverage.

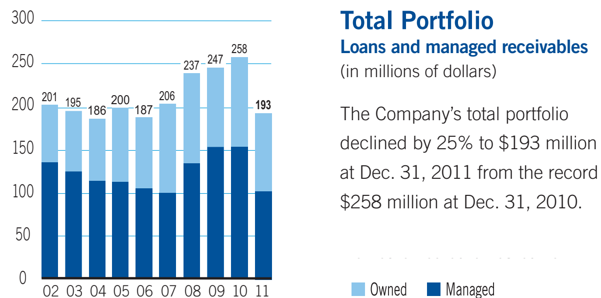
Excluding inter-company balances, 63% of identifiable assets were located in Canada and 37% in the United States at December 31, 2011, while 56% of identifiable assets were located in Canada and 44% in the United States at December 31, 2010 (see note 21 to the Statements).

Gross Loans (funds employed), before the allowance for losses thereon, declined by $13,416,000 or 13% to $90,626,000 at December 31, 2011 compared with $104,042,000 a year earlier and $91,435,000 at January 1, 2010. As detailed in note 5 to the Statements, the Company's Loans comprised:

(in thousands)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Factored receivables	**$ 76,133**	$ 86,911	$ 73,833
Loans to clients	**14,493**	17,131	17,602
Factored receivables and loans, gross	**90,626**	104,042	91,435
Less allowance for losses	**1,502**	1,729	1,528
Factored receivables and loans, net	**$ 89,124**	$102,313	$ 89,907

The Company's factored receivables declined by 12% to $76,133,000 at December 31, 2011 compared to $86,911,000 at December 31, 2010 but were higher than the $73,833,000 at January 1, 2010. Loans to clients, which comprise advances against non-receivable assets such as inventory and equipment, declined to $14,493,000 at December 31, 2011 compared to $17,131,000 at December 31, 2010 and $17,602,000 at January 1, 2010. Net of the allowance for losses thereon, Loans declined by $13,189,000 to $89,124,000 at December 31, 2011 compared with $102,313,000 last year-end and were slightly below the $89,907,000 at January 1, 2010. The Company's Loans principally represent advances made by its recourse factoring and asset-based lending subsidiaries, AFIC and AFIU, to clients in a wide variety of industries. These businesses had approximately 120 clients at December 31, 2011. Three clients each comprised over 5% of gross Loans at December 31, 2011, of which the largest client comprised 8%.

In its non-recourse factoring business, the Company contracts with clients to assume the credit risk associated with respect to their receivables 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 $102 million at December 31, 2011 compared to $154 million last year-end and $155 million at January 1, 2010. Managed receivables comprise the receivables of approximately 160 clients at December 31, 2011. The 25 largest clients comprised 60% of non-recourse volume in 2011 compared to 54% of non-recourse volume in 2010. Most of the clients' customers upon which the Company



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

The Company's total portfolio declined by 25% to $193 million at Dec. 31, 2011 from the record $258 million at Dec. 31, 2010.

assumes the credit risk are "big box", apparel, home furnishings and footwear retailers in Canada and the United States. At December 31, 2011, the 25 largest customers accounted for 47% of the total managed receivables, of which the largest five comprised 32%. The Company monitors the retail industry and the credit risk related to its managed receivables very closely. The managed receivables are regularly reviewed and continue to be well rated.

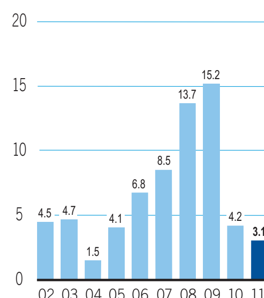
The Company's total portfolio, which comprises both gross Loans and managed receivables, declined by 25% to $193 million at December 31, 2011 compared to $258 million last year-end as a result of a 34% decrease in managed receivables and a 13% decline in gross Loans. The Company's portfolio totalled $247 million at January 1, 2010. See Table 2 and the Total Portfolio bar chart above which provides a ten year history.

As described in note 18(a) to the Statements, the Company's business involves funding or assuming credit risk on the receivables offered to it by its clients, as well as funding other assets such as inventory and equipment. Credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1,000,000, by the Company's President and the Chairman of its Board. Credit in excess of $2,500,000 is approved by the Company's Credit Committee, which comprises three independent members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. The Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables.

Monitoring and communicating with its clients' customers is measured by, amongst other things, an analysis which indicates the amount of receivables current and past due. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. Of the total managed receivables that the Company guarantees payment, 9.4% were past due more than 60 days at December 31, 2011. In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on such older receivables.

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

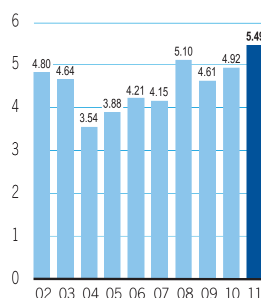
The Company also minimizes credit risk by limiting the maximum amount it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, charging back or making receivables ineligible for lending purposes as they become older,



Provision for Credit and Loan Losses

(as a percentage of revenue)

The provision declined to 3.1% of revenue in 2011, the second lowest in the last ten years, from 4.2% last year.



Book Value per Share

(in dollars)

Book value per share rose to a record high $5.49 at Dec. 31, 2011. It was 12% higher than the $4.92 last year-end.

and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases. In its non-recourse factoring business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. As noted above, all customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. At December 31, 2011, the Company had guaranteed accounts receivable in excess of $10 million in respect of one customer. As a factoring company, which administers and collects the majority of its clients' receivables, the Company is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. This is particularly important in today's tumultuous economic and credit environment. Note 18(a) to the Statements provides details of the Company's credit exposure by industrial segment.

Table 3 – Credit Quality

(as a percentage unless otherwise stated)	2011	2010	2009
Receivables Turnover (days)	44	44	49
Managed Receivables past due more than 60 days	9.4	10.5	8.2
Reserves*/Portfolio	1.2	1.1	1.1
Reserves*/Net Charge-offs	149	276	56
Net Charge-offs/Volume	0.08	0.05	0.27

*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 managed receivables declined to $412,000 in 2011 compared to $501,000 last year. Net charge-offs of managed receivables were 6 basis points of volume in 2011, compared to 5 basis points in 2010. Net charge-offs in the Company's recourse factoring business totalled $1,101,000 in 2011 compared to $536,000 last year. Overall, the Company's total net charge-offs in 2011, as discussed in the Results of Operations section above, rose by 46% to $1,513,000 compared with $1,037,000 in 2010. Total net charge-offs were 8 basis points of volume in 2011 compared to 5 basis points last year.

After the customary detailed year-end review of the Company's $193 million portfolio by its Risk Management Committee, it was determined that all problem loans and accounts were identified and provided for. The Company maintains separate allowances for credit and loan losses on both its Loans and its guarantee of managed receivables, at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowance for losses on Loans decreased by $227,000 or 13% to $1,502,000 at December 31, 2011 from $1,729,000 last year-end on a similar decrease in Loans and was slightly below the $1,528,000 at January 1, 2010. On lower managed receivables, the allowance for losses on the guarantee of managed receivables decreased to $751,000 at December 31, 2011 compared to $1,138,000 at December 31, 2010 and $1,089,000 at January 1, 2010. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. 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 on its consolidated statements of financial position. The activity in both allowance for losses accounts for 2011 and 2010 is set out in note 5

to the Statements. The estimates of both allowance for losses are judgmental. Management considers them to be reasonable and appropriate.

Cash decreased to $2,854,000 at December 31, 2011 compared to $4,541,000 at the end of 2010 but was higher than the $339,000 at January 1, 2010. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. However, due to the large volume of cash being processed daily it is necessary that a certain amount of cash be held to fund daily requirements. Fluctuations in cash balances are normal.

Assets held for sale are stated at their net realizable value and totalled $3,380,000 at December 31, 2011 compared to $3,482,000 last year and $4,997,000 at January 1, 2010. They comprise certain assets securing a defaulted loan upon which the Company's U.S. subsidiary foreclosed and obtained title in 2009. The assets continue to be marketed for sale and will be sold as market conditions permit. As noted above, an impairment charge of $462,000 was taken against these assets during 2011, while a charge of $1,237,000 was taken in 2010. The impairment charges resulted from professional appraisals of the assets which showed that their net realizable value had fallen below book value. Additions to the assets of $309,000 (2010 - $225,000) were made in 2011 relating to improvements made to assist in the sale thereof, while assets held for sale totalling $26,000 (2010 - $242,000) were disposed of (see note 6 to the Statements).

Deferred tax assets, net, increased to $1,136,000 at December 31, 2011 compared with $1,065,000 last year-end and $577,000 at January 1, 2010. The increase pertains to the deferred tax benefit of certain charges incurred, principally the impairment charges against assets held for sale, that will be deductible for income tax purposes in the future. See note 12 to the Statements for a breakdown of the net deferred tax assets.

Changes in income taxes receivable, other assets, capital assets and goodwill compared to December 31, 2010 and January 1, 2010 were not significant.

Total liabilities declined by $18,110,000 to $50,454,000 at December 31, 2011 compared to $68,564,000 at December 31, 2010 and were $4,454,000 lower than the $54,908,000 at January 1, 2010. The decrease compared to last year-end principally resulted from a reduction in bank indebtedness.

Amounts due to clients decreased by $1,594,000 to $3,519,000 at December 31, 2011 compared to $5,113,000 at December 31, 2010 and were lower than the $4,517,000 at January 1, 2010. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a few days of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness decreased by $17,374,000 or 39% to $27,222,000 at December 31, 2011 compared with $44,596,000 at December 31, 2010 and was $9,576,000 below the $36,798,000 at January 1, 2010. The decrease in 2011 principally resulted from lower funds employed. The Company had approved credit lines with a number of banks totalling $116 million at December 31, 2011 and was in compliance with all loan covenants thereunder at the above dates. The Company's credit lines are typically renewed for a period of one or two years at a time as circumstances dictate. Bank indebtedness usually fluctuates with the quantum of Loans outstanding. The Company has no term debt outstanding.

Accounts payable and other liabilities totalled $3,723,000 at December 31, 2011 compared to $6,467,000 last year-end and $3,271,000 at January 1, 2010. Last year-end's balance included $2,515,000 owing on the repurchase of shares acquired under the Company's normal course issuer bid, which was paid in early January 2011. As noted above, accounts payable and other liabilities include the allowance for losses on the guarantee of managed receivables.

Changes in income taxes payable and deferred income were not significant.

Notes payable increased to $14,611,000 at December 31, 2011 compared to $10,142,000 last year-end and

$9,254,000 at January 1, 2010. The increase in notes payable in 2011 principally related to the receipt of $4,750,000 from a related party in the year. Please see Related Party Transactions section below and note 10(a) to the Statements.

Capital stock decreased to $6,402,000 at December 31, 2011 compared to $6,656,000 at December 31, 2010 and $6,908,000 at January 1, 2010. There were 8,718,998 common shares outstanding at December 31, 2011 compared to 9,065,571 a year earlier and 9,408,971 at January 1, 2010. The statements of changes in equity on page 33 of this Annual Report provide details of the changes in the Company's issued and outstanding common shares and capital stock over the last two years. The decline in issued and outstanding shares and capital stock resulted from repurchases under the Company's issuer bids (see note 11(c) to the Statements). During 2011, 346,573 (2010 – 343,400) common shares were repurchased and cancelled under the Company's issuer bids at a cost of $2,438,000 (an average price of $7.04 per common share) (2010 - $2,569,000, or an average of $7.48 per common share). At the date of this MD&A, February 21, 2012, 8,515,898 common shares were outstanding.

Retained earnings increased by $2,732,000 in 2011 to $42,424,000 at December 31, 2011 compared to $39,692,000 at December 31, 2010 and were $6,023,000 higher than the $36,401,000 at January 1, 2010. The increase in 2011 comprised net earnings of $7,585,000 less dividends paid of $2,669,000 (30 cents per common share) and the premium paid on the shares repurchased under the Company's issuer bids of $2,184,000. Please see the consolidated statements of changes in equity on page 33 of this report for details of changes in retained earnings in 2011 and 2010. The Company's retained earnings were reduced by $7,378,890 on January 1, 2010 upon transition to IFRS. Please see discussion of accumulated other comprehensive loss and adoption of IFRS below and notes 17 and 20(a) to the Statements.

The Company's accumulated other comprehensive loss ("AOCL") account solely comprises the cumulative unrealized foreign exchange loss arising on the translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary. The Company elected to reset its cumulative translation loss account balance of $7,378,890 to zero upon transition to IFRS on January 1, 2010. This resulted in a corresponding reduction in retained earnings. The AOCL was negative $1,013,000 at December 31, 2011 compared to negative $1,832,000 at December 31, 2010. These balances represent the cumulative translation losses arising as a result of the weakening of the U.S. dollar against the Canadian dollar since January 1, 2010. Please refer to note 17 to the Statements and the consolidated statements of changes in equity on page 33 of this report, which details movements in the AOCL account in 2011 and 2010. The $819,000 decrease in loss position in 2011 resulted from the increase in the value of the U.S. dollar against the Canadian dollar during 2011. The U.S. dollar rose from $0.995 at December 31, 2010 to $1.017 at December 31, 2011. This increased the Canadian dollar equivalent book value of the Company's net investment in its U.S. subsidiary of approximately US$37 million by $819,000 in 2011.

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, principally Loans. These ratios are presented for the last three years as percentages in Table 2. As noted above, the ratios at December 31, 2011 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 $116 million at December 31, 2011 and had borrowed $27 million against these facilities. Funds generated through operating activities and issuance of notes payable decrease the usage of, and dependence on, these lines.

As noted in the Review of Financial Position section above, the Company had cash balances of $2,854,000 at December 31, 2011 compared to $4,541,000 at December 31, 2010. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Fiscal 2011 cash flows: *Year ended December 31, 2011 compared with year ended December 31, 2010*

There was a net cash inflow from operating activities of $19,108,000 in 2011 compared with a net cash outflow of $2,402,000 last year. The net cash inflow in 2011 principally resulted from collection of gross Loans of $14,306,000 and net earnings, while the net cash outflow in 2010 principally resulted from funding an increase on gross Loans of $14,742,000.

Net cash outflows from financing activities totalled $20,623,000 in 2011 compared to a net cash inflow of $6,733,000 last year. The net cash outflow in 2011 resulted from repayment of bank indebtedness of $17,449,000, the repurchase of common shares under the Company's issuer bids at a cost of $4,953,000 and dividend payments totalling $2,669,000. Partly offsetting these outflows was the issuance of notes payable, net, totalling $4,448,000. In 2010, the net cash inflow resulted from an increase in bank indebtedness of $8,508,000, while $913,000 of notes payable, net, were issued. Partly offsetting these inflows were dividend payments totalling $2,634,000 and the repurchase of common shares under the issuer bids at a cost of $54,000.

Cash outflows from investing activities and the effect of exchange rate changes on cash were not significant in 2011 and 2010.

Overall, there was a net cash outflow of $1,687,000 in 2011 compared to a net cash inflow of $4,202,000 in 2010.

Related Party Transactions

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand or, in the case of one note, a week after demand and bear interest at rates at or below the rates charged by the Company's banks. Notes payable at December 31, 2011 increased by $4,469,000 to $14,611,000 compared with $10,142,000 at December 31, 2010. Of these notes payable, $13,324,000 (2010 - $8,158,000) was owing to related parties and $1,287,000 (2010 - $1,984,000) to third parties. Interest expense on these notes totalled $349,000 in 2011 compared to $210,000 last year. Interest expense rose in 2011 as a result of the increased balance payable and higher interest rates. Please refer to note 10(a) to the Statements.

Contractual Obligations and Commitments at December 31, 2011

(in thousands of dollars)	Payments due in				
	Less than one year	Two and three years	Four and five years	After five years	**Total**
Operating lease obligations	$ 311	$ 520	$ 516	$ 100	**$ 1,447**
Purchase obligations	157	—	—	—	**157**
	$ 468	$ 520	$ 516	$ 100	**$ 1,604**

Note 10(b) to the Statements details the remuneration of the Company's directors and key management personnel during 2011 and 2010.

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

At December 31, 2011, the Company had no outstanding forward foreign exchange contracts. Contracts outstanding at December 31, 2010 are discussed in note 16 to the Statements. Financial assets or liabilities recorded at cost are short term in nature, and, therefore, their carrying values approximate fair values.

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

A collective allowance on both its Loans and 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 loss experience

and are reviewed for adequacy on an ongoing basis. The Company has always been prudent in establishing its collective allowances such that they have normally been sufficient to absorb substantial charge-offs. Management believes that its allowances for losses are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and are set out in note 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.

Adoption of International Financial Reporting Standards

Canadian public companies are required to prepare their financial statements in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), for financial years beginning on or after January 1, 2011. Accordingly, effective January 1, 2011, the Company adopted IFRS as the basis for preparing its financial statements, with a transition date of January 1, 2010. These Statements are the Company's first annual statements prepared in compliance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). Previously, the Company prepared its consolidated financial statements in accordance with Previous GAAP. The Company has restated its 2010 Previous GAAP financial statements and the consolidated statement of financial position at January 1, 2010 to comply with IFRS and the 2010 comparative financial information presented in this MD&A and the Statements is stated in accordance with IFRS. The restatements made to comply with IFRS only had a minor impact on the Company's 2010 financial position, net earnings and comprehensive income. Please refer to note 20(d) to the Statements.

The IFRS accounting policies used in preparing the Statements are set out in note 4 thereto. These policies were applied in preparing the Statements for the year ended December 31, 2011 and 2010 and the opening consolidated statement of financial position on the January 1, 2010 transition date.

Guidance for first time adopters of IFRS is set out in IFRS 1, which provides for certain optional exemptions from full retrospective application of IFRS. In preparing these Statements, the Company has elected to exercise the following optional exemptions available upon transition to IFRS:

a) Business combinations – IFRS 1 allows a first-time adopter to elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has chosen to exercise this election and has not restated business combinations that occurred prior to January 1, 2010;

b) Cumulative translation differences – retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effect of Changes in Foreign Currency Rates, from the date of acquisition or from the date the subsidiary was formed. IFRS 1 allows a first-time adopter to reset the cumulative translation adjustment to zero at the date of transition to IFRS. The Company has chosen to exercise this election. Accordingly, the Company's AOCL account, whose only component is the cumulative translation adjustment balance, was reset to zero at the January 1, 2010 transition date, with a corresponding entry to retained earnings. As noted earlier and set out in note 17 to the Statements, the impact of this was to credit the AOCL account and debit retained earnings by $7,378,890 on January 1, 2010;

c) Share-based payment transactions - IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, Share-based Payment, to equity instruments that were granted on or before

November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested or settled prior to the transition to IFRS on January 1, 2010. The Company has elected to exercise the IFRS 1 exemption to not apply IFRS 2 prior to January 1, 2010; and

d) IFRS mandatory exception respecting estimates – hindsight is not used to create or revise estimates. Estimates previously made by the Company under Previous GAAP were not revised upon adoption of IFRS.

Change in accounting policy

The only change in the Company's accounting policies upon adoption of IFRS related to the measurement of its SARs liability. Under Previous GAAP, the Company's outstanding cash settled SARs were measured at intrinsic value, while under IFRS they are measured at fair value. The impact of this change on the Company's net earnings and financial position has been minor (please see note 20(d) to the Statements).

The Company has not been affected by any changes in its financial reporting obligations under contractual arrangements or financial covenants as a result of adopting IFRS. Moreover, there have been no changes in the Company's internal control over financial reporting and disclosure controls and procedures.

Controls and Procedures

Disclosure controls and procedures

The Company's management, including its President and Chief Financial Officer, are responsible for establishing and maintaining the Company's disclosure controls and procedures and has designed same to provide reasonable assurance that material information relating to the Company is made known to it by others within the Company on a timely basis. The Company's management has evaluated the effectiveness of its disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA")) as at December 31, 2011 and has concluded that such disclosure controls and procedures are effective.

Management's annual report on internal control over financial reporting

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

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

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

iii) the Company's management has designed and tested the effectiveness of its internal control over financial reporting as at December 31, 2011 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 18 to the Statements, which discusses the Company's principal financial risk management practices.

Competition

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

Economic slowdown

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

Credit risk

The Company is in the business of factoring its clients' receivables and making asset-based loans. The Company's portfolio totalled $193 million at December 31, 2011. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 18(a) to the Statements.

Interest rate risk

The Company's agreements with its clients (impacting interest revenue) and lenders (impacting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to some degree. However, as the Company's floating rate Loans substantially exceed its borrowings, the Company is exposed to some degree to interest rate fluctuations. Please refer to note 18(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 weakening of the U.S. dollar against the Canadian dollar affect its operating results when its U.S. subsidiary's results are translated into Canadian dollars. It also caused a significant decrease in the value of the Company's net Canadian dollar investment in its U.S. subsidiary, which reduced the accumulated other comprehensive income or loss component of equity to a large loss position until this was reset to zero upon transition to IFRS. Please see the discussion on AOCL above and refer to notes 17 and 18(c)(i) to the Statements.

Potential acquisitions and investments

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

Personnel significance

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

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

Outlook

The Company's principal objective is managed growth – putting quality new business on the books while maintaining high underwriting standards.

The Company's portfolio declined by 25% during 2011 as it faced significant competitive pressures. Our non-recourse factoring business, AFL, saw competition from credit insurers "eat into" the Company's business as they restarted coverage on certain previously risky accounts by offering clients cheaper rates. AFIU, our U.S. recourse factoring business, also faced heightened competition from the U.S. regional banks, who were offering lower rates. This saw numerous clients graduate to bank financing during 2011.

Given this experience, the Company is beginning 2012 at a lower level of business activity and it will likely take most of 2012 to return to where we were at the beginning of 2011. However, the Company has numerous initiatives it is actively pursuing which it hopes will increase business activity.

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
Vice President, Chief Financial Officer
February 21, 2012

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.

1. Receivables turnover

We try to minimize risk by turning our receivables in as few days as possible. During 2011 the receivables turnover was 44 days, the same as 2010, while it was 49 days in 2009.

2. Past due receivables

We also try to keep our past due receivables as low as possible. Over the past three years, the percentage of managed receivables past due more than 60 days has ranged from 8.2% to 10.5%. At December 31, 2011, the percentage was 9.4%.

3. 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 1.1% and 1.2%, and was 1.2% at Dec. 31, 2011.

4. Reserves to net charge-offs

Ideally, this percentage should be greater than 50%, which is to say that the year-end reserves would absorb about six months of charge-offs. This percentage was 149% at Dec. 31, 2011.

5. Net charge-offs to volume

This is an important benchmark in our business. The long-term industry average ranges from 15 to 20 basis points of volume. The figure in 2011 was an acceptable 8 basis points of volume.

Ten Year Financial Summary 2002-2011

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

	Canadian GAAP								IFRS*	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	**2011**
Factoring volume	$ 1,366	1,439	1,489	1,424	1,417	1,497	1,596	1,748	2,120	**1,914**
Revenue	$ 26,235	26,214	27,418	26,230	28,864	28,346	28,060	24,045	31,406	**28,408**
Interest	757	773	1,225	1,762	2,391	2,992	2,871	1,180	1,730	**2,047**
General and administrative	14,324	14,175	13,760	14,892	13,290	13,143	13,491	13,290	14,679	**13,558**
Provision for credit and loan losses	1,189	1,231	422	1,074	1,961	2,402	3,849	3,648	1,325	**886**
Impairment of assets held for sale	—	—	—	—	—	—	—	1,265	1,237	**462**
Depreciation	408	418	416	338	322	209	195	181	159	**130**
Provision for settlement of claim	2,339	712	—	—	—	—	—	—	—	**—**
Total expenses	19,017	17,309	15,823	18,066	17,964	18,746	20,406	19,564	19,130	**17,083**
Earnings before income tax expense	7,218	8,905	11,595	8,164	10,900	9,600	7,654	4,481	12,276	**11,325**
Income tax expense	2,569	3,066	3,971	2,861	3,783	3,313	2,613	1,392	4,033	**3,740**
Earnings before extraordinary gain	4,649	5,839	7,624	5,303	7,117	6,287	5,041	3,089	8,243	**7,585**
Extraordinary gain	—	—	—	907	—	—	—	—	—	**—**
Net earnings	$ 4,649	5,839	7,624	6,210	7,117	6,287	5,041	3,089	8,243	**7,585**
Earnings per common share:										
Basic	$ 0.49	0.61	0.78	0.63	0.73	0.66	0.53	0.33	0.88	**0.85**
Diluted	0.49	0.61	0.76	0.62	0.72	0.66	0.53	0.33	0.88	**0.85**
Dividends per common share	$ 0.14	0.16	1.68	0.18	0.20	0.22	0.24	0.26	0.28	**0.30**
Factored receivables and loans	$ 64,882	69,479	71,136	84,270	79,863	103,940	99,990	89,907	102,313	**89,124**
Other assets	7,186	6,005	2,909	5,834	4,816	3,193	3,508	8,030	10,811	**9,185**
Total assets	$ 72,068	75,484	74,045	90,104	84,679	107,133	103,498	97,937	113,124	**98,309**
Due to clients	$ 6,783	4,309	5,532	5,092	4,227	4,897	4,588	4,517	5,113	**3,519**
Bank indebtedness	10,298	20,045	15,608	32,592	26,687	48,207	35,877	36,798	44,596	**27,222**
Accounts payable and other liabilities	5,952	2,932	5,227	5,565	3,940	4,459	3,081	3,267	7,889	**4,345**
Notes payable	2,451	2,482	11,778	7,298	9,195	9,567	10,944	9,254	10,142	**14,611**
Deferred income	956	916	908	992	913	806	829	746	824	**757**
Total liabilities	26,440	30,684	39,053	51,539	44,962	67,936	55,319	54,582	68,564	**50,454**
Equity	45,628	44,800	34,992	38,565	39,717	39,197	48,179	43,355	44,560	**47,855**
Total liabilities and equity	$ 72,068	75,484	74,045	90,104	84,679	107,133	103,498	97,937	113,124	**98,309**
Shares outstanding at Dec. 31	# 9,513	9,650	9,876	9,930	9,443	9,454	9,438	9,409	9,066	**8,719**
Book value per share at Dec. 31	$ 4.80	4.64	3.54	3.88	4.21	4.15	5.10	4.61	4.92	**5.49**
Share price - high	$ 5.85	7.55	11.25	8.80	8.25	9.45	8.39	6.70	8.14	**8.25**
- low	4.80	4.95	6.50	6.70	7.00	7.72	4.75	5.25	5.25	**6.50**
- close at Dec. 31	5.05	7.05	8.75	7.05	7.75	8.00	5.81	5.25	7.50	**6.87**
Return on average equity (as a %)	10.6	13.2	19.1	16.8	18.3	16.0	11.7	6.7	18.2	**16.8**

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

Corporate Governance

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

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

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

The Company's corporate governance practices are outlined below.

Mandate and Responsibilities of the Board

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

(i) satisfying itself as to the integrity of the Company's President and other executive officers and that they create a culture of integrity within the Company;

(ii) adoption of a strategic planning process – the Board oversees strategic planning initiatives, provides direction to management and monitors its success in achieving those initiatives;

(iii) identification of the principal risks of the Company's business and ensuring that there are systems in place to effectively monitor and manage these risks. In this respect, the Credit Committee of the Board, which comprises three independent members thereof, reviews and approves all credit 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. In this regard, in December 2009, the Board undertook a self-assessment of its effectiveness. A number of recommendations came out of that survey which were acted upon by the Board. The next self-assessment evaluation is expected to be in the first half of 2012.

In addition to those matters which must by law be approved by the Board, management seeks Board approval for any transaction which is outside of the ordinary course of business or could be considered to be material to the business of the Company. The frequency of the meetings of the Board, as well as the nature of agenda items, change depending upon the state of the Company's affairs and in light of opportunities or risks which the Company faces. The Board meets at least quarterly to review the business operations and financial performance of the Company, including regular meetings both with, and without, management to discuss specific operational aspects of the Company. Each director is expected to attend all Board meetings and comprehensively review meeting materials provided in advance of each meeting. During 2011 there were four meetings of the Board. Details of director attendances at these meetings are set out in the Company's Management Proxy Circular (the "Circular") dated March 22, 2012, which was mailed to shareholders with this Annual Report and is also filed under the Company's profile with SEDAR at www.sedar.com. There was an "in camera" session at each of the four Board meetings in which non-executive directors met without management.

Composition of the Board

The Board currently comprises six persons and is chaired by Mr. Ken Hitzig. The biographies of these directors, all of whom are standing for re-election at the May 2, 2012 Annual Meeting, are set out in the Circular. Of the current Board, four directors (Messrs. Ben Evans, Robert Beutel, Stephen Warden and Robert Sandler) are considered to be independent, since their respective relationships with the Company are independent of management and free from any interest or business which could reasonably be perceived to materially interfere with or compromise each director's ability to act independently in the best interests of the Company, other than interests arising from shareholdings. Mr. Tom Henderson, President and CEO, and Mr. Ken Hitzig, executive Chairman, are officers of the Company and are, by definition, non-independent directors. All directors stand for re-election annually. A number of Board members also act as directors of other public companies. These directorships, if any, are set out in each Board member's biography.

The Board has considered its size and believes that between six and eight members is the ideal size of Board for a company of Accord's size to facilitate effective decision-making and direct and immediate communication between the directors and management. The size of the Company's Board permits individual directors to involve themselves directly in specific matters where their personal inclination or experience will best assist the Board and management in dealing with specific issues, such as credit review and approval.

The Board has neither a corporate governance committee nor a nominating committee preferring instead to perform these functions directly at the Board level. The Board and its committees have had, and continue to have, varied responsibilities. They include nominating new directors, assessing the effectiveness of the Board, its committees and members individually and as a whole, approving requests of directors to engage outside advisors at the expense of the Company and reviewing the adequacy and form of compensation of directors. The Board itself is responsible for identifying and considering prospective candidates to be appointed 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 the candidate(s) to determine their suitability. The Board then decides the candidates to be appointed directly or nominated for election by the shareholders. Directors' compensation is set after giving due consideration to the directors' workload and responsibilities and reviewing compensation paid to directors of similar-sized public companies. Compensation paid to each of the Company's directors in 2011 is set out in the Circular.

Given that there have only been five new directors of the Company in the past ten years, most of whom were familiar with the Company and its business at the time of appointment, no formal orientation and education program for new directors is currently considered necessary. However, as individual circumstances dictate, each new director receives a detailed orientation to the Company, which covers the nature and operations of the Company's business and his responsibilities as a director.

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

Committees of the Board

The Board discharges its responsibilities directly and through three committees: an Audit Committee, a Compensation

Committee and a Credit Committee. The Board's Audit and Credit Committees are comprised of independent directors, which helps ensure objectivity in matters where management's influence could be prevalent, while the Compensation Committee is comprised of a majority of independent directors.

The Audit Committee is currently composed of Mr. Ben Evans, Chairman, Mr. Robert Beutel and Mr. Stephen Warden. Each member of the Audit Committee is financially literate, that is, they are able to read and understand fundamental financial 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 2011 there were four meetings of the Audit Committee, member attendances at which are set out in the Circular.

The Audit Committee has adopted a corporate Code of Ethics and a "whistleblower policy" whereby any director, officer or employee of the Company or its subsidiaries who is aware of any acts by a director, officer or employee which are in contravention of the standards of business and personal ethics required of them by the Company, or in violation of applicable laws and regulations, is required to bring such matters to the attention of management or directly to the Chairman of the Audit Committee. The Chairman of the Audit Committee advises in each Audit Committee meeting if any matters have been reported to him under the whistleblower policy. All reported matters are investigated and appropriate action taken if warranted. No such matters were brought to the attention of the Audit Committee in 2011. The Company's Code of Ethics and whistleblower policy are available on its website.

The Compensation Committee is currently composed of Mr. Robert Beutel, Mr. Ken Hitzig and Mr. Stephen Warden. The Compensation Committee's mandate includes evaluating the performance of the Company's executives and making recommendations for approval by the Board with respect to their remuneration. The Compensation Committee reviews compensation paid to management of similar-sized companies to ensure that remuneration is consistent with industry standards. The Compensation Committee also considers and makes recommendations with respect to such matters as incentive plans, employee benefit plans and the structure and granting of stock options or share appreciation rights. The Company's 2011 Compensation Discussion and Analysis report to shareholders is included in the Circular. During 2011 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. Robert Beutel, Ben Evans and Robert Sandler. The purpose of the Credit Committee is to manage the Company's credit risk in respect of larger exposures to clients and customers. The Credit Committee reviews and approves all client and customer credit in excess of $2.5 million, including loans to clients and assumption of credit risk.

Expectations of Management

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

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

Management's Report to the Shareholders

The management of Accord Financial Corp. is responsible for the preparation, presentation and integrity of the consolidated financial statements, financial information and MD&A contained in this annual report. This responsibility includes the selection of the Company's accounting policies in addition to judgments and estimates in accordance with International Financial Reporting Standards ("IFRS"). The Company adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010. The accounting principles which form the basis of the consolidated financial statements and the more significant policies applied are described in notes 2 through 4 to the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of the CSA's National Instrument 51-102.

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

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

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

Stuart Adair
Vice President, Chief Financial Officer
Toronto, Canada
February 21, 2012

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, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
February 21, 2012

Consolidated Statements of Financial Position

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Cash	**$ 2,854,168**	$ 4,541,155	$ 339,267
Factored receivables and loans, net (note 5)	**89,124,431**	102,313,077	89,906,633
Income taxes receivable	**253,147**	179,861	606,689
Other assets	**145,896**	148,433	302,742
Assets held for sale (note 6)	**3,380,258**	3,481,686	4,996,716
Deferred tax (note 12)	**1,135,561**	1,064,636	577,375
Capital assets (note 7)	**437,326**	438,547	520,129
Goodwill (note 8)	**978,046**	956,503	1,010,744
	$ 98,308,833	$ 113,123,898	$ 98,260,295
Liabilities			
Due to clients	**$ 3,519,322**	$ 5,113,304	$ 4,517,282
Bank indebtedness (note 9)	**27,222,021**	44,595,863	36,798,397
Accounts payable and other liabilities	**3,723,300**	6,467,674	3,270,823
Income taxes payable	**621,110**	1,421,460	321,803
Notes payable (note 10(a))	**14,610,651**	10,141,916	9,253,501
Deferred income	**757,326**	824,120	746,273
	50,453,730	68,564,337	54,908,079
Equity			
Capital stock (note 11)	**6,401,876**	6,656,345	6,908,481
Contributed surplus	**42,840**	42,840	42,840
Retained earnings	**42,423,832**	39,692,340	36,400,895
Accumulated other comprehensive loss (note 17)	**(1,013,445)**	(1,831,964)	—
	47,855,103	44,559,561	43,352,216
	$ 98,308,833	$ 113,123,898	$ 98,260,295
Common shares outstanding (note 13)	**8,718,998**	9,065,571	9,408,971

See accompanying notes to consolidated financial statements.

On behalf of the Board

Ken Hitzig,
Chairman of the Board

Tom Henderson,
President & Chief Executive Officer

Consolidated Statements of Earnings

Years ended December 31	2011	2010
Revenue		
Factoring commissions, discounts, interest and other income	**$ 28,408,075**	$ 31,406,451
Expenses		
Interest	**2,046,776**	1,730,307
General and administrative	**13,558,483**	14,679,121
Provision for credit and loan losses	**885,706**	1,325,529
Impairment of assets held for sale (note 6)	**462,026**	1,237,180
Depreciation	**130,482**	158,572
	17,083,473	19,130,709
Earnings before income tax expense	**11,324,602**	12,275,742
Income tax expense (note 12)	**3,740,000**	4,033,000
Net earnings	**$ 7,584,602**	$ 8,242,742
Basic and diluted earnings per common share (note 13)	**$ 0.85**	$ 0.88
Basic and diluted weighted average number of common shares (note 13)	**8,894,246**	9,387,723

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31	2011	2010
Net earnings	**$ 7,584,602**	$ 8,242,742
Other comprehensive income (loss): unrealized gain (loss) on translation of self-sustaining foreign operation (note 17)	**818,519**	(1,831,964)
Comprehensive income	**$ 8,403,121**	$ 6,410,778

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

	Capital stock					
	Number of outstanding shares	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2010	9,408,971	$ 6,908,481	$ 42,840	$ 36,400,895	$ —	$ 43,352,216
Comprehensive income	—	—	—	8,242,742	(1,831,964)	6,410,778
Dividends paid	—	—	—	(2,634,272)	—	(2,634,272)
Shares repurchased for cancellation	(343,400)	(252,136)	—	(2,317,025)	—	(2,569,161)
Balance at December 31, 2010	**9,065,571**	**6,656,345**	**42,840**	**39,692,340**	**(1,831,964)**	**44,559,561**
Comprehensive income	**—**	**—**	**—**	**7,584,602**	**818,519**	**8,403,121**
Dividends paid	**—**	**—**	**—**	**(2,669,088)**	**—**	**(2,669,088)**
Shares repurchased for cancellation	**(346,573)**	**(254,469)**	**—**	**(2,184,022)**	**—**	**(2,438,491)**
Balance at December 31, 2011	**8,718,998**	**$ 6,401,876**	**$ 42,840**	**$ 42,423,832**	**$ (1,013,445)**	**$ 47,855,103**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31	**2011**	2010
Cash provided by (used in)		
Operating activities		
Net earnings	**$ 7,584,602**	$ 8,242,742
Items not involving cash:		
Allowances for losses, net of charge-offs and recoveries	**(627,754)**	288,257
Impairment of assets held for sale	**462,026**	1,237,180
Deferred income	**(69,199)**	86,348
Depreciation	**130,482**	158,572
Loss on disposal of capital assets	**18,509**	—
Deferred tax recovery	**(45,106)**	(531,626)
Current income tax expense	**3,785,106**	4,566,819
Changes in operating assets and liabilities:		
Factored receivables and loans, gross	**14,306,166**	(14,741,704)
Due to clients	**(1,637,633)**	648,884
Other assets	**4,967**	150,111
Accounts payable and other liabilities	**137,364**	719,457
Addition to assets held for sale	**(309,333)**	(225,162)
Sale of assets held for sale	**26,288**	37,158
Income tax paid, net	**(4,658,776)**	(3,039,016)
Net cash provided by (used in) operating activities	**19,107,709**	(2,401,980)
Investing activities		
Additions to capital assets, net	**(146,974)**	(79,875)
Financing activities		
Bank indebtedness	**(17,449,040)**	8,507,916
Notes issued, net	**4,448,112**	913,335
Repurchase and cancellation of shares	**(4,953,434)**	(54,218)
Dividends paid	**(2,669,088)**	(2,634,272)
	(20,623,450)	6,732,761
Effect of exchange rate changes on cash	**(24,272)**	(49,018)
(Decrease) increase in cash	**(1,686,987)**	4,201,888
Cash at January 1	**4,541,155**	339,267
Cash at December 31	**$ 2,854,168**	$ 4,541,155
Supplemental cash flow information		
Net cash used in operating activities includes:		
Interest paid	**$ 2,016,034**	$ 1,613,338

See accompanying notes to consolidated financial statements.

1. Description of the business

Accord Financial Corp. (the "Company") is incorporated by way of Articles of Continuance under the Ontario Business Corporations Act and, through its subsidiaries, is engaged in providing asset-based financial services, including factoring, financing, credit investigation, guarantees and receivables collection to industrial and commercial enterprises, principally in Canada and the United States. The Company's registered office is at 77 Bloor Street West, Toronto, Ontario, Canada.

2. Basis of presentation and statement of compliance

The Company adopted International Financial Reporting Standards ("IFRS") effective January 1, 2011, with a transition date of January 1, 2010. These consolidated financial statements ("Statements") are expressed in Canadian dollars, the Company's functional and presentation currency, and are the Company's first annual financial statements prepared in compliance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), as issued by the International Accounting Standards Board ("IASB").

Prior to 2011, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Previous GAAP"), which differs from IFRS. The Company made only one change in accounting policy from those being followed by it under Previous GAAP, namely, the policy relating to stock-based compensation (see notes 4(k) and 20(b)). In preparing these Statements, the Company has taken this change into account, as well as certain exemptions available under IFRS 1. The Company has retroactively applied IFRS so that the comparative financial information presented herein for 2010 is stated in accordance with IFRS.

An explanation of how the transition to IFRS has affected the reported financial positions, financial performance and cash flows of the Company is provided in note 20. Note 20(d) includes reconciliations of the consolidated statements of financial position at January 1, 2010 and December 31, 2010, as well as reconciliations of net earnings and total comprehensive income for the fiscal year ended December 31, 2010, as reported under Previous GAAP to those now being reported under IFRS.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates that are particularly judgmental are the determination of the allowance for losses relating to factored receivables and loans and to the guarantee of managed receivables, as well as the net realizable value of the assets held for sale (see notes 4(d), 4(n), 5 and 6). Management believes 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*
- Guarantee of managed receivables*

**a component of accounts payable and other liabilities*

The consolidated financial statements for the year ended December 31, 2011 were approved for issue by the Company's Board of Directors ("Board") on February 21, 2012.

3. Adoption of revised International Financial Reporting Standards and future accounting policy

(a) During 2011, the Company adopted the following amended IFRS that were issued by the IASB:

(i) Amendments to IFRS 7, Financial Instruments - Disclosures ("IFRS 7"), disclosure requirements specifically ensuring qualitative disclosures are made in close proximity to quantitative disclosures in order to better enable financial statement users to evaluate an entity's exposure to risks arising from financial instruments; and

(ii) Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"), clarifying that the breakdown of changes in equity resulting from transactions recognized in other comprehensive income is to be presented in the statements of changes in equity or in the notes to the financial statements.

As the amended IFRS deal with presentation and disclosure matters, adoption of the amended IFRS had no impact on the amounts reported.

(b) Future accounting policy

Effective for annual periods beginning on or after January 1, 2015, IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets, and is the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 will replace the multiple category model previously contained in IAS 39 with a new measurement model having two categories – amortized cost and fair value. Management does not currently believe that the future implementation of this standard will have a significant impact on the Company's consolidated financial statements.

4. Significant accounting policies

(a) Basis of consolidation

The statements consolidate the accounts of the Company and its wholly owned subsidiaries, namely, Accord Financial Ltd. ("AFL") and Accord Financial Inc. ("AFIC") in Canada and Accord Financial, Inc. ("AFIU") in the United States. The Company exercises 100% control over each of its subsidiaries. The accounting policies of subsidiaries have been changed where necessary to align them with the IFRS policies adopted by the Company. Inter-company balances and transactions are eliminated upon consolidation.

(b) Revenue recognition

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

(c) Factored receivables and loans

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

(d) Allowances for losses

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

The Company maintains these allowances for losses at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations, including current economic trends, condition of the loan and customer receivable portfolios and typical industry loss experience.

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

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

(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 tested for impairment annually, or more frequently if impairment indicators arise, to ensure that its fair value remains greater than, or equal to, its book value. If its book value exceeds fair value, the excess will be charged against earnings in the year in which the impairment is determined.

(g) Income taxes

The Company follows the balance sheet liability method of accounting for income taxes, whereby

deferred tax assets and liabilities are recognized based on temporary differences between the tax and accounting bases of assets and liabilities, as well as losses available to be carried forward to future years for income tax purposes.

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

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

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

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

Income taxes receivable and payable and deferred tax assets and liabilities are offset if there is a legally enforceable right of set off and when 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.

(h) Foreign subsidiary

The assets and liabilities of the Company's self-sustaining foreign subsidiary are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position date. Revenue and expenses are translated into Canadian dollars at the average monthly exchange rate then prevailing. Resulting translation gains and losses are credited or charged to other comprehensive income or loss and presented in the accumulated other comprehensive income or loss component of equity.

(i) Foreign currency translation

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

(j) 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 in 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, which in the Company’s case consist of stock options granted to directors and employees.

(k) Stock-based compensation

The Company accounts for SARs and stock options issued to directors and 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. This fair value is expensed over the award’s vesting period, or immediately if fully vested. Changes in the fair value of outstanding SARs are calculated at each reporting date, as well as at settlement date, and are recorded in general and

administrative expenses over the awards vesting period, or immediately if fully vested.

(l) Derivative financial instruments

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

(m) Financial assets and liabilities

Financial assets and liabilities 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.

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

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

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

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

(n) Assets held for sale

Assets acquired on realizing security on defaulted loans are held for sale and are stated at the lower of cost or net realizable value.

(o) Financial Instruments - Disclosures

IFRS 7 details disclosure requirements in respect of financial instruments that are based on a three-level fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of financial instruments. The fair values for 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.

5. Factored receivables and loans

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Factored receivables	**$ 76,133,293**	$ 86,910,839	$ 73,832,506
Loans to clients	**14,493,138**	17,131,238	17,602,127
Factored receivables and loans, gross	**90,626,431**	104,042,077	91,434,633
Less allowance for losses	**1,502,000**	1,729,000	1,528,000
Factored receivables and loans, net	**$ 89,124,431**	$102,313,077	$ 89,906,633

The Company's allowance for losses on factored receivables and loans at the above noted dates comprised only a collective allowance. The activity in the allowance for losses on factored receivables and loans account during 2011 and 2010 was as follows:

	2011	2010
Allowance for losses at January 1	**$ 1,729,000**	$ 1,528,000
Provision for credit and loan losses	**860,228**	775,381
Charge-offs	**(1,208,130)**	(719,583)
Recoveries	**107,148**	183,459
Foreign exchange adjustment	**13,754**	(38,257)
Allowance for losses at December 31	**$ 1,502,000**	$ 1,729,000

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, 2011, the gross amount of these managed receivables was $102,004,001 (December 31, 2010 - $153,861,477; January 1, 2010 - $155,359,571). At December 31, 2011, management provided an amount of $751,000 (December 31, 2010 - $1,138,000; January 1, 2010 - $1,089,000) as a collective allowance for losses on the guarantee of these managed receivables, which represents the estimated fair value of the guarantees at those dates. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included in the consolidated statement of financial position.

The activity in the allowance for losses on the guarantee of managed receivables account during 2011 and 2010 was as follows:

	2011	2010
Allowance for losses at January 1	**$ 1,138,000**	$ 1,089,000
Provision for credit losses	**25,478**	550,148
Charge-offs	**(481,845)**	(568,021)
Recoveries	**69,367**	66,873
Allowance for losses at December 31	**$ 751,000**	$ 1,138,000

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 under terms that are usual and customary to the Company's factoring and lending activities. The Company controls the credit risk associated with its factored receivables and loans and managed receivables in a variety of ways. For details of the Company's policies and procedures in this regard, please refer to note 18(a).

At December 31, 2011, the Company held cash collateral of $2,081,137 (December 31, 2010 – $2,313,524; January 1, 2010 – $1,857,502) to help it reduce the risk of loss on certain of the Company's factored receivables and loans and managed receivables.

The Company considers the allowances for losses on both its loans and its guarantee of managed receivables critical to its financial results (see note 4(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 factored receivables and loans and managed receivables. The formulae are reviewed for adequacy on an ongoing basis. The Company has always been prudent in establishing its collective allowances such that they have normally been sufficient to absorb substantial charge-offs.

6. Assets held for sale

The Company obtained title to certain long-lived assets securing a defaulted loan in 2009. During 2011, an impairment charge of $462,026 (2010 - $1,237,180) was taken against the assets as their net realizable value declined below book value. During 2011, there were additions to the assets totalling $309,333 (2010 - $225,162), which principally related to improvements made to assist in the sale thereof, while assets of $26,288 (2010 - $241,879) were disposed of.

The assets are currently being marketed for sale and will be sold as market conditions permit. The net realizable value of the assets at December 31, 2011 and 2010 and January 1, 2010 were determined by professional appraisals.

7. Capital assets

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Cost	**$ 2,019,975**	$ 2,528,954	$ 2,624,921
Less accumulated depreciation	**1,582,649**	2,090,407	2,104,792
	$ 437,326	$ 438,547	$ 520,129

8. Goodwill

During 2011 and 2010, the Company conducted annual impairment reviews and determined there was no impairment to the carrying value of goodwill. The goodwill is carried in the Company's U.S. operations and the differences in the goodwill balances reported in the consolidated statements of financial position relate to the translation of the Company's goodwill balance of US$961,697 into Canadian dollars at different prevailing year-end exchange rates.

9. Bank indebtedness

Revolving lines of credit have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. These lines of credit are collateralized primarily by factored receivables and loans to clients. At December 31, 2011, the amounts outstanding under these lines of credit totalled $27,222,021 (December 31, 2010 - $44,595,863; January 1, 2010 - $36,798,397). The Company was in compliance with all loan covenants under these lines of credit.

10. Related party transactions

(a) Notes payable

Notes payable are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. The notes are unsecured, due on demand, or in the case of one note, a week after requesting repayment, and bear interest at bank prime rate or below.

Notes payable were as follows:

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Related parties	$ 13,323,474	$ 8,157,537	$ 7,695,372
Third parties	1,287,177	1,984,379	1,558,129
	$ 14,610,651	$ 10,141,916	$ 9,253,501

Interest expense on the notes payable for 2011 and 2010 was as follows:

	2011	2010
Related parties	$ 312,659	$ 170,161
Third parties	36,117	39,549
	$ 348,776	$ 209,710

(b) Compensation of directors and key management personnel

The remuneration of directors and key management personnel during 2011 and 2010 was as follows:

	2011	2010
Salaries and directors' fees	$ 1,943,862	$ 2,302,538
Share-based payments[1]	(53,062)	294,708
	$ 1,890,800	$ 2,597,246

[1] Share-based payments represent the expense or recovery related to the Company's SARs. Please see note 11.

11. 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, 2011 and 2010 and January 1, 2010, there were no first preferred shares outstanding.

(b) Issued and outstanding

The Company's issued and outstanding common shares during 2011 and 2010 are set out in the consolidated statements of changes in equity.

(c) Share repurchase program

On August 5, 2009, the Company received approval from the Toronto Stock Exchange ("TSX") to commence a normal course issuer bid (the "2009 Bid") for up to 471,118 of its common shares at prevailing market prices on the TSX. The 2009 Bid commenced on August 8, 2009 and terminated on August 7, 2010. Under the 2009 Bid, the Company repurchased and cancelled 15,100 shares acquired at an average price of $5.32 per share for total consideration of $80,591. This amount was applied to reduce share capital by $11,063 and retained earnings by $69,528.

On August 5, 2010, the Company received approval from the TSX to commence a normal course issuer bid (the "2010 Bid") for up to 470,373 of its common shares at prevailing market prices on the TSX. The 2010 Bid commenced on August 8, 2010 and terminated on July 19, 2011 when the Company had repurchased and cancelled all of the 470,373 shares permitted. The shares were acquired at an average price of $7.53 per share for total consideration of $3,540,387. This amount was applied to reduce share capital by $345,369 and retained earnings by $3,195,018.

On August 4, 2011, the Company received approval from the TSX to commence a new normal course issuer bid (the "2011 Bid") for up to 446,845 of its common shares at prevailing market prices on the TSX. The 2011 Bid commenced on August 8, 2011 and will terminate on August 7, 2012 or the date on which a total of 446,845 common shares have been repurchased pursuant to its terms. All shares repurchased pursuant to the 2011 Bid will be cancelled. To December 31, 2011, the Company had repurchased and cancelled 217,900 common shares acquired under the 2011 Bid at an average price of $6.69 per common share for total consideration of $1,457,302. This amount was applied to reduce share capital by $159,992 and retained earnings by $1,297,310.

During the year ended December 31, 2011, the Company repurchased and cancelled 346,573 shares acquired under its issuer bids at an average price of $7.04 per common share for total consideration of $2,438,491. This amount was applied to reduce share capital by $254,469 and retained earnings by $2,184,022. During the year ended December 31, 2010, the Company repurchased and cancelled 343,400 common shares acquired under its issuer bids at an average price of $7.48 per common share for total consideration of $2,569,161. This amount was applied to reduce share capital by $252,136 and retained earnings by $2,317,025.

(d) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During 2011 dividends per common share of $0.30 (2010 - $0.28) were declared and paid totalling $2,669,088 (2010 - $2,634,272).

On January 26, 2012, the Company declared a quarterly dividend of $0.075 per common share, payable March 1, 2012 to shareholders of record on February 15, 2012.

(e) Share appreciation rights

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

During 2011, 152,500 SARs were granted by the Company to directors and employees at a strike price of $7.95, while a further 5,000 were granted at a strike price of $7.56. During 2010, 155,000 SARs were granted at a strike price of $5.50. During 2011, 7,500 (2010 - 52,500) SARs were exercised.

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

Exercise price	Grant date	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
$7.25	May 7, 2008	**57,500**	65,000	95,000
$6.03	July 28, 2009	**70,000**	70,000	100,000
$5.50	May 7, 2010	**140,000**	140,000	—
$7.95	May 4, 2011	**152,500**	—	—
$7.56	July 26, 2011	**5,000**	—	—
SARs outstanding		**425,000**	275,000	195,000
SARs vested		**262,500**	155,000	112,500

(f) Stock option plans

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

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

Options are granted to purchase common shares at prices not less than the market price of such shares on the grant date. Although the Company may still grant stock options to employees and directors it has not done so since May 2004.

The following is a summary of stock option activity:

	2011	2010
Outstanding at January 1	$ —	$ 42,000
Expired	—	(42,000)
Outstanding at December 31	$ —	$ —

(g) Stock-based compensation

The Company recorded a stock-based compensation recovery of $75,927 in respect of its outstanding SARs in 2011, while it recorded a stock-based compensation expense of $350,063 in 2010. There has been no stock-based compensation in respect of stock options since 2007.

At December 31, 2011, the Company had accrued $208,733 (December 31, 2010 – $290,437; January 1, 2010 – $4,346) in respect of its liability for outstanding SARs.

12. Income taxes

The Company's income tax expense comprises:

	2011	2010
Current income tax expense	**$ 3,785,106**	$ 4,566,819
Deferred tax recovery	**(45,106)**	(533,819)
Income tax expense	**$ 3,740,000**	$ 4,033,000

The Company's income tax expense comprises:

	2011	%
Income taxes computed at statutory rates	**$ 3,199,200**	**28.3**
Increase resulting from:		
Higher effective tax rate on income of subsidiaries	**446,040**	**3.9**
Other	**94,760**	**0.8**
Income tax expense	**$ 3,740,000**	**33.0**

	2010	%
Income taxes computed at statutory rates	$ 3,805,480	31.0
Increase resulting from:		
Higher effective tax rate on income of subsidiaries	172,243	1.4
Other	55,277	0.4
Income tax expense	$ 4,033,000	32.8

The tax effects that give rise to the net deferred tax assets are as follows:

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Deferred tax assets:			
Impairment of assets held for sale	**$ 1,089,716**	$ 890,266	$ 470,428
Allowances for losses	**221,382**	306,771	274,356
SARs liability	**53,068**	82,753	1,000
Capital assets	**—**	—	9,000
	1,364,166	1,279,790	754,784
Deferred tax liabilities:			
Goodwill	**(217,638)**	(187,880)	(172,259)
Capital assets	**(7,000)**	(4,000)	—
Other	**(3,967)**	(23,274)	(5,150)
	(228,605)	(215,154)	(177,409)
	$ 1,135,561	$ 1,064,636	$ 577,375

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

There were no dilutive common share equivalents outstanding during 2011 as there were no stock options outstanding, while in 2010 the outstanding stock options were considered to be anti-dilutive for EPS purposes. Accordingly, basic and diluted EPS were the same for both years.

14. Contingent liabilities

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

(b) The Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $1,122,394 at December 31, 2011 (December 31, 2010 - $1,127,947; January 1, 2010 - $858,553). These amounts were considered in determining the allowance for losses on factored receivables and loans.

15. Lease commitments

The Company is committed under operating leases, principally office space leases, which expire between 2012 and 2017. The minimum rentals payable under these long-term operating leases, exclusive of certain operating costs and property taxes for which the Company is responsible, are as follows:

Year	Amount
2012	$ 310,759
2013	258,912
2014	261,078
2015	258,097
2016	257,825
2017	100,184
	$ 1,446,855

16. Derivative financial instruments

At December 31, 2011, the Company had no outstanding forward foreign exchange contracts.

At December 31, 2010, the Company had entered into a forward foreign exchange contract with a financial institution that matured in April 2011 and obliged the Company to sell Canadian dollars and buy US$1,000,000 at an exchange rate of 1.0056. This contract was entered into by the Company on behalf of a client and a similar forward foreign exchange contract was entered into between the Company and the client, whereby the Company bought Canadian dollars from and sold US$1,000,000 to the client.

The favorable and unfavorable fair values of the above contracts were recorded on the Company's consolidated statement of financial position at December 31, 2010 in other assets and accounts payable and other liabilities, respectively. The fair value of the contracts were classified as Level 2 under IFRS 7. During 2011 there was no movement between the three-level fair value hierarchy described in note 4(o).

17. Accumulated other comprehensive loss

Accumulated other comprehensive loss ("AOCL") solely comprises the unrealized foreign exchange loss (commonly referred to as cumulative translation adjustment loss) arising on translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary, which are translated into Canadian dollars at the exchange rate prevailing at the reporting date.

The Company elected to reset the cumulative translation adjustment loss balance to zero upon transition to IFRS on January 1, 2010 (see note 20(a)). This required a reduction in retained earnings of $7,378,890, being the debit balance of the AOCL account on that date. Changes in the AOCL balance during 2011 and 2010 were as follows:

	2011	2010
Balance at January 1	**$ (1,831,964)**	$ —
Unrealized gain (loss) on translation of self-sustaining foreign operation	**818,519**	(1,831,964)
Balance at December 31	**$ (1,013,445)**	$ (1,831,964)

18. Financial risk management

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

(a) Credit risk

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

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

Monitoring and communicating with its clients' customers is measured by, amongst other things, an analysis which indicates the amount of receivables current and past due. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. Of the total managed receivables that the Company guarantees payment, 9.4% were past due more than 60 days at December 31, 2011 (December 31, 2010 - 10.5%; January 1, 2010 - 8.2%). In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

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

and ongoing basis. For a factoring company, the financial strength of its clients' customers is often more important than the financial strength of the clients themselves. The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases. In its non-recourse business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. All customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. At December 31, 2011, the Company had guaranteed accounts receivable in excess of $10 million in respect of one customer.

The Company's credit exposure relating to its factored receivables and loans by industrial sector at December 31, 2011 was as follows:

Industrial sector (in thousands)	Gross factored receivables and loans	% of total
Manufacturing	$ 41,876	46
Financial and professional services	22,401	25
Wholesale and distribution	17,460	19
Transportation	5,666	6
Other	3,223	4
	$ 90,626	100

The Company's credit exposure relating to its managed receivables by industrial sector at December 31, 2011 was as follows:

Industrial sector (in thousands)	Managed receivables	% of total
Retail	$ 94,443	93
Other	7,561	7
	$ 102,004	100

As set out in notes 4(d) and 5 the Company maintains an allowance for credit and loan losses on its factored receivables and loans and its guarantee of managed receivables.

The Company maintains a separate allowance for losses on each of the above items at amounts, which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic trends, condition of the loan and receivable portfolios and typical industry loss experience.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, notes payable, due to clients, and accounts payable and other liabilities. Revolving credit lines totalling $116,000,000 have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. At December 31, 2011 the Company had borrowed $27,222,021 (December 31, 2010 - $44,595,863; January 1, 2010 - $36,798,397) against these facilities. These lines of credit are collateralized primarily by factored receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit as at December 31, 2011. 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, 2011, 91% of these notes were due to related parties and 9% 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 few days 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, 2011, the Company had gross factored receivables and loans totalling $90,626,000 (December 31, 2010 - $104,042,000; January 1, 2010 - $91,435,000) which substantially exceeded its total liabilities of $50,454,000 at that date (December 31, 2010 - $68,564,000; January 1, 2010 - $54,908,000). 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.

(c) Market risk

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

(i) Currency risk

The Company is exposed to currency risk primarily in its self-sustaining U.S. subsidiary, which operates exclusively in US dollars, to the full extent of the U.S. subsidiary's net assets of approximately US$37,000,000 at December 31, 2011. The Company's investment in its U.S. subsidiary is not hedged as it is long-term in nature. Unrealized foreign exchange gains or losses arise on translation of the assets and liabilities of the Company's self-sustaining U.S. subsidiary into Canadian dollars each period end. Resulting foreign exchange gains or losses are credited or charged to other comprehensive income or loss with a corresponding entry to the AOCL component of equity (note 17). The Company is also subject to foreign currency risk on the earnings of its U.S. subsidiary, which are unhedged. Based on the U.S. subsidiary's results for the year ended December 31, 2011, a one cent change in the U.S. dollar against the Canadian dollar would change the Company's annual net earnings by approximately $29,000. It would also change other comprehensive income or loss and the AOCL component of equity by approximately $370,000.

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally factored receivables and loans, cash, bank indebtedness and due to clients. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At December 31, 2011, the Company's unhedged foreign currency positions in its Canadian operations totalled $80,000 (December 31, 2010 – $176,000; January 1, 2010 – $460,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a one percent change in the value of its unhedged foreign currency positions against the Canadian dollar would not have a material impact on the Company's net earnings.

(ii) Interest rate risk

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

The Company's agreements with its clients (impacting interest revenue) and lenders (impacting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to a large degree. However, as the Company's factored receivables and loans substantially exceed its borrowings, the Company is exposed to interest rate risk as a result of the difference, or gap, that exists between interest sensitive assets and liabilities. This gap largely exists because of, and fluctuates with, the quantum of the Company's equity.

The following table shows the interest rate sensitivity gap at December 31, 2011:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	Non-rate sensitive	Total
Assets					
Cash	$ 943	$ —	$ —	$ 1,911	$ 2,854
Factored receivables and loans, net	86,139	1,017	788	1,181	89,125
Assets held for sale	—	—	—	3,380	3,380
All other assets	—	253	—	2,697	2,950
	87,082	1,270	788	9,169	98,309
Liabilities					
Due to clients	—	—	—	3,519	3,519
Bank indebtedness	1,120	26,102	—	—	27,222
Notes payable	14,611	—	—	—	14,611
All other liabilities	—	621	—	4,481	5,102
Equity	—	—	—	47,855	47,855
	15,731	26,723	—	55,855	98,309
	$ 71,351	$ (25,453)	$ 788	$(46,686)	$ —

Based on the Company's interest rate positions as at December 31, 2011, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $460,000 over a one year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

19. Capital disclosure

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to equity and its equity to total assets. As a percentage, these ratios were 87% (December 31, 2010 - 123%; January 1, 2010 - 106%) and 49% (December 31, 2010 - 39%; January 1, 2010 - 44%), respectively, at December 31, 2011 indicating the Company's continued financial strength and relatively low degree of leverage. The Company's debt, and leverage, will usually rise with an increase in factored receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at December 31, 2011, AFIC is required to maintain a debt to TNW ratio of less than 4.0, while AFIU is required to maintain a minimum TNW of US$25,000,000 and a ratio of total liabilities to TNW of less than 3.0. The Company was fully compliant with its banking covenants at December 31, 2011. There were no changes in the Company's approach to capital management from the previous year.

20. Transition to International Financial Reporting Standards

(a) Adoption of IFRS

The Company adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010. These Statements are the Company's first annual statements prepared in compliance with IFRS and IFRS 1 has been applied. The IFRS accounting policies set out in note 4 and the elections made under IFRS 1 noted below have been applied in preparing the consolidated financial statements for the years ended December 31, 2011 and 2010 and the opening consolidated statement of financial position as at the transition date, January 1, 2010.

In preparing these Statements, the comparative consolidated financial statements for the year ended December 31, 2010 and the consolidated statement of financial position at January 1, 2010 have been stated in accordance with IFRS. An explanation

of how the transition from Previous GAAP to IFRS affected the Company's financial position, financial performance and cash flows is set out in (d) below.

Guidance for first time adopters of IFRS is set out in IFRS 1, which provides for certain optional exemptions from full retrospective application of IFRS. In preparing these Statements, the Company elected to exercise the following optional exemptions:

(i) Business combinations – IFRS 1 allows a first-time adopter to elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has chosen to exercise this election and has not restated business combinations that occurred prior to January 1, 2010;

(ii) Cumulative translation differences – retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effect of Changes in Foreign Currency Rates, from the date of acquisition or from the date the subsidiary was formed. IFRS 1 allows a first-time adopter to reset the cumulative translation adjustment to zero at the date of transition to IFRS. The Company has chosen to exercise this election. Accordingly, the Company's AOCL account, whose only component is the cumulative translation adjustment balance, was reset to zero at the January 1, 2010 transition date, with a corresponding entry to retained earnings. As set out in note 17, the impact of this was to credit the AOCL account and debit retained earnings by $7,378,890 on January 1, 2010;

(iii) Share-based payment transactions – IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, Share-based Payment ("IFRS 2"), to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested or settled before the Company's transition to IFRS on January 1, 2010. The Company has elected to exercise the IFRS 1 exemption to not apply IFRS 2 retrospectively to awards that vested or settled prior to January 1, 2010; and

(iv) IFRS mandatory exception respecting estimates – hindsight is not used to create or revise estimates. Estimates previously made by the Company under Previous GAAP were not revised upon adoption of IFRS, except where necessary to reflect any differences in accounting policies.

(b) Change in accounting policy

The only change in accounting policy upon adoption of IFRS was a change relating to the measurement of the Company's SARs liability. Under Previous GAAP, the Company's outstanding cash settled SARs were measured at intrinsic value, while under IFRS they are measured at fair value (see note 4(k)). The impact of this change on the Company's net earnings and comprehensive income was minor (see (d) below).

(c) Income tax receivable or payable reclassification

Under Previous GAAP, income taxes receivable or payable by the Company were netted off against each other to show a net income tax receivable or payable position in the Company's consolidated statements of financial position. Under IFRS, however, the netting off of income taxes receivable or payable is only allowed if the income taxes are receivable or payable to the same tax authority (see note 4(g)). These Statements, including comparatives, do not reflect any netting off of income taxes receivable or payable. Accordingly, comparative amounts for income taxes receivable or payable prepared under Previous GAAP have been restated whereby the amount previously netted off is now shown separately under IFRS as either income taxes receivable or payable. The impact of this reclassification on the Company's consolidated statements of financial

position results in both income taxes receivable and payable balances being reported.

(d) Reconciliation of Previous GAAP balances and results to IFRS balances and results

IFRS 1 requires IFRS compliant financial statements to contain certain reconciliations to the most recent Previous GAAP financial statements where prior year comparative financial information prepared under Previous GAAP is restated for IFRS purposes. An entity is required to reconcile its consolidated statement of financial position under Previous GAAP to its consolidated statement of financial position in compliance with IFRS at the date of transition, January 1, 2010, and at the end of the comparative year ended December 31, 2010. Reconciliations of net earnings and total comprehensive income under Previous GAAP to IFRS are also required for the comparative year ended December 31, 2010. In addition, a reconciliation of cash flows needs to be presented if there are any material adjustments between Previous GAAP and IFRS cash flow statements for the comparative year ended December 31, 2010. However, it is noted that the Company's adoption of IFRS did not have any impact on its cash flows and, accordingly, there is no cash flow reconciliation to present herein.

The following tables present the Company's reconciliations from Previous GAAP account balances and results to IFRS account balances and results for the respective periods for the consolidated statements of financial position, net earnings and comprehensive income.

(i) Reconciliation of consolidated statement of financial position at December 31, 2010:

	Audited Canadian GAAP	IAS 1, Presentation of Financial Statements	IFRS 1, First Time Adoption of IFRS	IFRS 2, Share -based Payment	Total Effect of Transition to IFRS	Audited IFRS
Assets						
Cash	$ 4,541,155	$ —	$ —	$ —	$ —	$ 4,541,155
Factored receivables and loans, net	102,313,077	—	—	—	—	102,313,077
Income taxes receivable	—	179,861	—	—	179,861	179,861
Other assets	148,433	—	—	—	—	148,433
Assets held for sale	3,481,686	—	—	—	—	3,481,686
Deferred tax	1,058,636	—	—	6,000	6,000	1,064,636
Capital assets	438,547	—	—	—	—	438,547
Goodwill	956,503	—	—	—	—	956,503
	$112,938,037	$ 179,861	$ —	$ 6,000	$ 185,861	$113,123,898
Liabilities						
Due to clients	$ 5,113,304	$ —	$ —	$ —	$ —	$ 5,113,304
Bank indebtedness	44,595,863	—	—	—	—	44,595,863
Accounts payable and other liabilities	6,446,271	—	—	21,403	21,403	6,467,674
Income taxes payable	1,241,599	179,861	—	—	179,861	1,421,460
Notes payable	10,141,916	—	—	—	—	10,141,916
Deferred income	824,120	—	—	—	—	824,120
	68,363,073	179,861	—	21,403	201,264	68,564,337
Equity						
Capital stock	6,656,345	—	—	—	—	6,656,345
Contributed surplus	42,840	—	—	—	—	42,840
Retained earnings	47,086,633	—	(7,378,890)	(15,403)	(7,394,293)	39,692,340
Accumulated other comprehensive loss	(9,210,854)	—	7,378,890	—	7,378,890	(1,831,964)
	44,574,964	—	—	(15,403)	(15,403)	44,559,561
	$112,938,037	$ 179,861	$ —	$ 6,000	$ 185,861	$113,123,898

(ii) Reconciliation of consolidated statement of financial position at January 1, 2010:

	Audited Canadian GAAP	IAS 1, Presentation of Financial Statements	IFRS 1, First Time Adoption of IFRS	IFRS 2, Share -based Payment	Total Effect of Transition to IFRS	Audited IFRS
Assets						
Cash	$ 339,267	$ —	$ —	$ —	$ —	$ 339,267
Factored receivables and loans, net	89,906,633	—	—	—	—	89,906,633
Income taxes receivable	284,886	321,803	—	—	321,803	606,689
Other assets	302,742	—	—	—	—	302,742
Assets held for sale	4,996,716	—	—	—	—	4,996,716
Deferred tax	576,375	—	—	1,000	1,000	577,375
Capital assets	520,129	—	—	—	—	520,129
Goodwill	1,010,744	—	—	—	—	1,010,744
	$ 97,937,492	$ 321,803	$ —	$ 1,000	$ 322,803	$ 98,260,295
Liabilities						
Due to clients	$ 4,517,282	$ —	$ —	$ —	$ —	$ 4,517,282
Bank indebtedness	36,798,397	—	—	—	—	36,798,397
Accounts payable and other liabilities	3,266,477	—	—	4,346	4,346	3,270,823
Income taxes payable	—	321,803	—	—	321,803	321,803
Notes payable	9,253,501	—	—	—	—	9,253,501
Deferred income	746,273	—	—	—	—	746,273
	54,581,930	321,803	—	4,346	326,149	54,908,079
Equity						
Capital stock	6,908,481	—	—	—	—	6,908,481
Contributed surplus	42,840	—	—	—	—	42,840
Retained earnings	43,783,131	—	(7,378,890)	(3,346)	(7,382,236)	36,400,895
Accumulated other comprehensive loss	(7,378,890)	—	7,378,890	—	7,378,890	—
	43,355,562	—	—	(3,346)	(3,346)	43,352,216
	$ 97,937,492	$ 321,803	$ —	$ 1,000	$ 322,803	$ 98,260,295

(iii) Reconciliation of net earnings for the year ended December 31, 2010:

	Audited Canadian GAAP	IFRS 2, Share-based Payment adjustment	Audited IFRS
Revenue			
Factoring commission, discounts, interest and other income	$ 31,406,451	$ —	$ 31,406,451
Expenses			
Interest	1,730,307	—	1,730,307
General and administrative	14,662,064	17,057	14,679,121
Provision for credit and loan losses	1,325,529	—	1,325,529
Impairment of assets held for sale	1,237,180	—	1,237,180
Depreciation	158,572	—	158,572
	19,113,652	17,057	19,130,709
Earnings before income tax expense	12,292,799	(17,057)	12,275,742
Income tax expense	4,038,000	(5,000)	4,033,000
Net earnings	$ 8,254,799	$ (12,057)	$ 8,242,742

The adoption of IFRS had no impact on the Company's basic and diluted EPS for 2010.

(iv) Reconciliation of comprehensive income for the year ended December 31, 2010:

	Audited Canadian GAAP	IFRS 2, Share-based Payment adjustment	Audited IFRS
Net earnings	$ 8,254,799	$ (12,057)	$ 8,242,742
Other comprehensive loss: unrealized loss on translation of self-sustaining foreign operation	(1,831,964)	—	(1,831,964)
Comprehensive income	$ 6,422,835	$ (12,057)	$ 6,410,778

21. Segmented information

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

2011 (in thousands)	Canada	United States	Inter-company	Consolidated
Identifiable assets	$ 62,234	$ 40,906	$ (4,831)	$ 98,309
Revenue	$ 19,717	$ 8,695	$ (4)	$ 28,408
Expenses				
Interest	1,816	235	(4)	2,047
General and administrative	10,071	3,487	—	13,558
Provision for credit and loan losses	1,115	(229)	—	886
Impairment of assets held for sale	—	462	—	462
Depreciation	110	20	—	130
	13,112	3,975	(4)	17,083
Earnings before income tax expense	6,605	4,720	—	11,325
Income tax expense	1,890	1,850	—	3,740
Net earnings	$ 4,715	$ 2,870	$ —	$ 7,585

2010 (in thousands)	Canada	United States	Inter-company	Consolidated
Identifiable assets	$ 63,828	$ 49,296	$ —	$ 113,124
Revenue	$ 20,699	$ 10,707	$ —	$ 31,406
Expenses				
Interest	1,415	315	—	1,730
General and administrative	11,169	3,510	—	14,679
Provision for credit and loan losses	765	561	—	1,326
Impairment of assets held for sale	—	1,237	—	1,237
Depreciation	141	17	—	158
	13,490	5,640	—	19,130
Earnings before income tax expense	7,209	5,067	—	12,276
Income tax expense	2,199	1,834	—	4,033
Net earnings	$ 5,010	$ 3,233	$ —	$ 8,243

22. 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.

23. Subsequent events

At February 21, 2012, there were no subsequent events occurring after December 31, 2011 that required disclosure.

ACCORD FINANCIAL
Keeping Business Liquid

Corporate Information

Board of Directors

Ken Hitzig, Toronto, Ontario [2]

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

Ben Evans, Stamford, Connecticut [1, 3]

Tom Henderson, Greenville, South Carolina

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

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

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

Officers

Ken Hitzig, Chairman of the Board

Tom Henderson, President & CEO

Stuart Adair, Vice President,
Chief Financial Officer

Jim Bates, Secretary

Robert J. Beutel, Assistant Secretary

Fred Moss, Vice President

Simon Hitzig, Vice President

Subsidiaries

Accord Financial Ltd.
Simon Hitzig, President

Accord Financial Inc.
Fred Moss, President

Accord Financial, Inc.
Tom Henderson, President

Auditors

KPMG LLP

Legal Counsel

Stikeman Elliott

Bankers

The Bank of Nova Scotia

Branch Banking and Trust

The Toronto-Dominion Bank

Canadian Imperial Bank of Commerce

Stock Exchange Listing

Toronto Stock Exchange Symbol: ACD

Registrar & Transfer Agent

Computershare Trust Company of Canada

Annual Meeting

The Annual Meeting
of Shareholders
will be held
Wednesday, May 2nd, 2012
at 4:15 pm at
Toronto Board of Trade
First Canadian Place
Toronto, Ontario

77 Bloor Street West
Toronto Ontario
Canada M5S 1M2
Tel (800) 967-0015
Fax (416) 961-9443
www.accordfinancial.com

Keeping Business Liquid

www.accordfinancial.com

In Canada

Accord Financial Corp.
(800) 967-0015

Accord Financial Ltd.
(800) 967-0015

Accord Financial Inc.
(800) 231-2977

In the U.S.

Accord Financial, Inc.
(800) 231-2757