ANNUAL REPORT 2006

The Value of Accord

Experienced.

Innovative.

Responsive.

The Value of Accord

Experienced.

It's our people that make us successful. Throughout the Accord family there are experts in all facets of our business. These individuals share a common vision, which is to make Accord distinctively valuable to our clients, help them succeed, and keep their business liquid.

Innovative.

We produced our third most profitable year in our company's history in 2006. Accord approaches what many view as a staid industry with innovative and creative solutions for our clients. We continue to develop relationships with Canadian banks, both referral and funding, that help Accord provide greater depth and breadth to its operations.

Responsive.

We focus on our clients' needs. Our high-level responsiveness, rapid due diligence and non-invasive covenants enable us to provide fast and flexible credit services to our clients. Our international capabilities help local firms extend their reach.

Throughout these pages you will find profiles of the Company's subsidiaries, its financial services, Board of Directors, case studies and principal strategic alliances. In addition, the President's Letter to the Shareholders, Management's Roundtable Discussion, case studies, Management's Discussion and Analysis and Consolidated Financial Statements provide you with further insight into the value of Accord.

Keeping business liquid is our primary goal.

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Financial Services

1 Non-recourse factoring

In its 29 years in operation, Accord has emerged as a front-runner in Canadian non-recourse factoring. The industries we serve range from the old-world economy to the technology of today. We offer more regional representation than our competitors and have one of the top-ranked credit departments in the country with an immense amount of experience and expertise.

2 Recourse factoring

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

3 International trade financing

Our international department has received world-wide recognition and quality service awards. Our strong correspondent relationships and financing facilities allow Accord to provide superior service to a growing network of clients, domestic and foreign.

4 Asset-based lending

As well as financing or factoring accounts receivable, Accord will provide additional financing against other assets, such as inventory, equipment and real estate, as well as purchase order financing, if required.

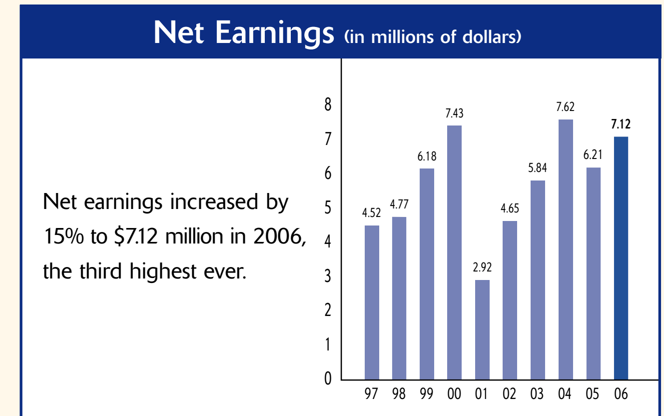
How Our Clients Benefit

Accord Provides	Financial Services
1 Non-recourse factoring	▪ Outsourcing of accounts receivable departments including the risk of customer default
2 Recourse factoring	▪ Financing by purchasing accounts receivable for cash
3 International trade financing	▪ Providing first-rate services to both exporters and importers
4 Asset-based lending	▪ Financing tangible assets such as inventory, equipment and real estate

Accord Provides	Client Benefits
▪ Access to credit and collection records going back 29 years	▪ Fast credit responses, usually in less than 24 hours
▪ Outstanding customer service offered by highly trained and experienced staff	▪ Clients and customers are treated courteously and professionally
▪ Up to the minute record-keeping	▪ Clients can access their account on-line
▪ Prompt settlement of credit losses	▪ Client business is unaffected by unduly slow payouts
▪ Member of Factors Chain International, a world-wide network of factoring companies, since 1988	▪ Clients can ship to 62 countries and obtain credit protection and collection service as if it were domestic business
▪ Fast due diligence and decision making	▪ Quick response to important credit and loan requests
▪ Shareholders' equity and borrowing capacity in excess of $130 million	▪ Ability to finance your company without interruption subject to a borrowing limit of $10 million
▪ Operations in the United States and Canada	▪ Doesn't matter where you are, we cover from the Rio Grande to the Arctic Circle
▪ Flexible lending criteria	▪ Receivables are our bread and butter, but if extra funding is required we'll look to inventory, equipment and real estate to provide a total financial solution

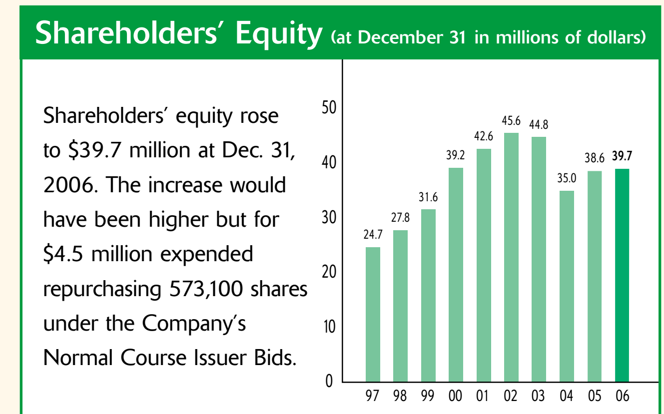
Net Earnings (in millions of dollars)

Net earnings increased by 15% to $7.12 million in 2006, the third highest ever.



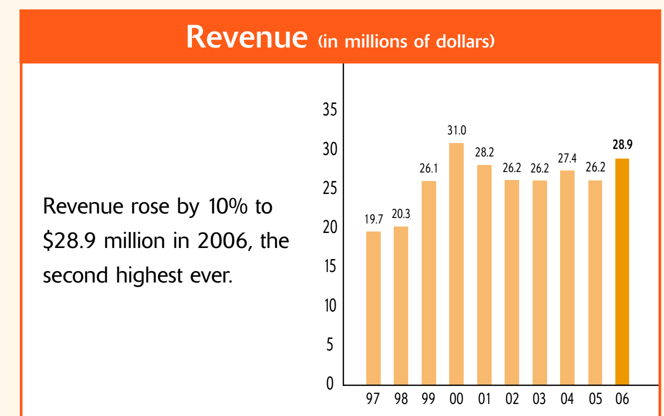
Shareholders' Equity (at December 31 in millions of dollars)

Shareholders' equity rose to $39.7 million at Dec. 31, 2006. The increase would have been higher but for $4.5 million expended repurchasing 573,100 shares under the Company's Normal Course Issuer Bids.



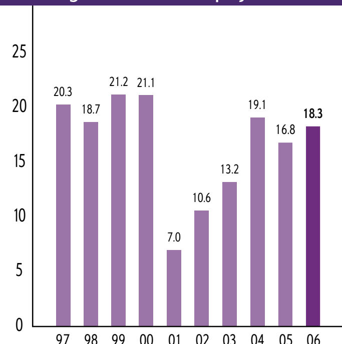
Revenue (in millions of dollars)

Revenue rose by 10% to $28.9 million in 2006, the second highest ever.



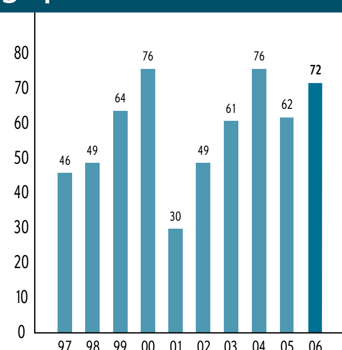
Return on Equity
(as a percent per annum on average shareholders' equity)

Return on average shareholders' equity was a strong 18.3% in 2006. It has averaged 16.6% over the last 10 years.



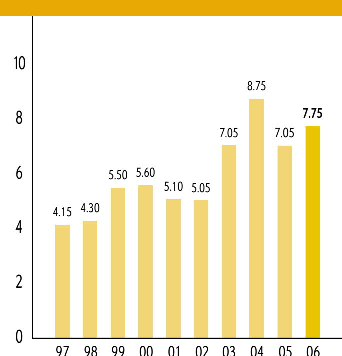
Diluted Earnings per Share (in cents)

Diluted earnings per share increased by 16% to 72 cents in 2006, the third highest ever.



Share Price (close at December 31 in dollars)

During 2006, the Company's share price rose by 10% to $7.75. Dividends of 20 cents per share were also paid to shareholders in 2006.



ACCORD FINANCIAL CORP.

Financial Highlights

	2006	2005	2004
Operating Data Years ended December 31 (in thousands of dollars except where indicated)			
Factoring volume (in millions)	$ 1,417	$ 1,424	$ 1,489
Revenue	28,864	26,230	27,418
Net earnings	7,117	6,210	7,624
Return on average shareholders' equity	18.3%	16.8%	19.1%
Balance Sheet Data At December 31 (in thousands of dollars)			
Total assets	$ 84,679	$ 90,104	$ 74,045
Shareholders' equity	39,717	38,565	34,992
Common Share Data (per common share)			
Earnings - basic	$ 0.73	$ 0.63	$ 0.78
- diluted	0.72	0.62	0.76
Dividends paid*	0.20	0.18	1.68
Share price - high	8.25	8.80	11.25
- low	7.00	6.70	6.50
- close at December 31	7.75	7.05	8.75
Book value at December 31	4.21	3.88	3.54

*2004 includes a special dividend of $1.50 per common share paid on July 2, 2004

Letter to the Shareholders

Experienced.

The Value of Accord We did some serious restructuring in the fourth quarter of 2005 in order to slim down our costs, principally in Montreal where we operated two separate offices. These offices were consolidated into one and the number of employees was reduced. The cost was high, almost $1.3 million, including approximately $200,000 in 2006. This was principally comprised of severance pay and an early lease termination payment. The goal was to improve efficiency as well as profitability.

That goal has been achieved. Excluding office consolidation costs, our overhead declined in 2006 by more than $700,000. In addition, gross revenue rose 10% to $28.9 million even though we experienced a slight decline in volume to $1.417 billion from $1.424 billion the year before. There was some deterioration in portfolio quality in the first half of the year when the provision for credit and loan losses amounted to over $1.2 million, or 8.6% of revenue. But we were back on track in the second half when the provision for credit and loan losses declined to $737,000 on revenue of $14.7 million, or 5% of revenue. With the exception of one year in the past ten, our loss ratio has been fairly steady at 1.5% to 5.4% of revenue. Our loss ratio for 2006 was an uncomfortable 6.8% and we will be tightening our underwriting and monitoring controls going forward.

Our bottom line was very gratifying. Net earnings for 2006 were $7,117,000 or 72 cents per diluted share. This compares with net earnings of $6,210,000 or 62 cents per diluted share in 2005. The 2005 results included an extraordinary gain of $908,000 on the acquisition of i Trade Finance Inc. and were after charges, net of tax, of $670,000 relating to the consolidation of the Company's Montreal operations. Return on average equity was 18.3% in 2006 versus 16.8% in 2005.

Revenue from operations in Canada was $22.0 million in 2006 compared with $19.8 million in 2005. Borrowing costs rose to $2,895,000 in 2006 from $2,007,000 the previous year, principally due to more clients using more of our funds, higher interest rates, and the financial cost of buying back 573,100 shares. General and administrative expenses, including depreciation, fell to $10,397,000 in 2006 from $12,120,000 the previous year. Most of this reduction can be attributed to greater efficiencies in our Montreal operation as a result of the office consolidation effected in the latter part of 2005. Credit and loan losses rose to $1,257,000 in the latest year from $1,102,000 in 2005 due to adverse loan loss experience.

Net earnings from Canadian operations in 2006 rose 24% to $4,994,000 compared with $4,029,000 recorded in 2005.

We had a significant increase in revenue in our U.S. operations but we were unable to capitalize on it. There were two reasons for this. Firstly, we incurred a sizeable loan loss in 2006; there

"A goal for 2006 was to improve efficiency and profitability . . . that goal was achieved. In addition, our bottom line was very gratifying."

~ Ken Hitzig
Accord Financial Corp.

were no loan losses in 2005. Secondly, the U.S. dollar continued its decline against the Canadian dollar in 2006, falling from a monthly average of $1.21 in 2005 to $1.13 in 2006. In U.S. dollars, our operations earned 3% more than the previous year. However, expressed in Canadian dollars, earnings actually fell 3% to $2,123,000 from $2,181,000. Two new business development officers were added near the end of the year bringing the total to four. This is expected to produce favorable results in 2007.

At Dec. 31, 2006, gross factored receivables and loans (owned receivables) amounted to $81 million compared with $86 million a year earlier. In addition, we had outstanding receivables of $106 million (managed receivables) for which we had underwritten most of the risks in the event of customer default. The total "at risk" portfolio at Dec. 31, 2006 was $187 million; it was $200 million a year earlier.

The Company renewed its Normal Course Issuer Bid in 2006. We had bought back 38,700 shares in 2005. We are pleased to report that in 2006 we purchased 573,100 shares for cancellation at a cost of $4,466,000, or an average of $7.79 per share. Options on 86,000 shares were exercised in 2006 for proceeds of $344,000. The number of shares outstanding at year-end was 9,442,771, down from 9,929,871 a year earlier. The quarterly dividend was raised to 5.5 cents per share effective in the third quarter of 2006. This brought the total dividends paid in 2006 to 20 cents per share. *A significant note: Accord has paid dividends to its shareholders every year since 1987, an unbroken stretch of 20 years.*

We continued our relationship with Liquid Capital Corp. in 2006. The company is a franchisor of small factoring companies in the United States and Canada. These small factors are able to discount their portfolios with Accord, have their back office requirements (credit, record-keeping and collections) handled by us, and refer larger deals directly to us and earn a referral fee. In order for Liquid Capital to accommodate new investors, we agreed to sell our minority interest in Liquid Capital, which we did at a modest profit. The operating relationship continues and, in fact, our service agreement with them was extended for another five years.

We have enjoyed a long-standing relationship with The Bank of Nova Scotia (Scotiabank). They are a lender to the Company and, a few years ago, began a referral program for their customers and prospective customers whereby those that they are unable to help are referred to us. The Canadian Imperial Bank of Commerce has agreed to join Scotiabank in a syndicate to lend funds to the Company as part of an expanded facility.

Looking Forward

The competition in our industry has never been as tough as it is now. Liquidity in the

United States and Canada is very high and the inevitable result is too much money chasing too few deals. This has led to a combination of lower underwriting standards and rate pressure. Accord's practice has been to be competitive on rate, but unyielding on credit quality. We see no let-up in competition in 2007, but we feel we are well-positioned to meet this challenge head on. Here's why:

- There are few competitors that can match the experience of our management team. Our top five people have a collective 199 years of experience in the factoring and finance industry.

- We have "bench strength". Our mid-management consists of many thoroughly experienced people. Some of them have been with us for ten or more years.

- Accord has strategic alliances. We have a strong alliance with Liquid Capital. Accord is also a member of Factors Chain International, a global network of leading factoring companies, and we do import and export factoring business with many of the members. In addition, we have an alliance with Export Development Canada ("EDC") and have several programs for Canadian exporters that utilize our facilities in conjunction with those of EDC.

- Accord has, and continues to cultivate, relationships with people in the private equity and venture capital field. We work closely with accountants, bankers, lawyers and people in the turnaround management industry. Accord is also well known in a number of industry trade associations, especially those in which we have many clients, such as apparel and footwear.

We entered 2006 determined to improve on the results of the previous year, and our plans and performance proved successful. Going into 2007, barring unforeseen circumstances, we're in very good shape to match or exceed our previous record year of 2004 when earnings were 76 cents per diluted share.

My sincere thanks to our employees, shareholders, officers and directors for your support and encouragement. Please come to the Annual Meeting on May 2, 2007; I look forward to seeing you there.

Ken Hitzig
President

Toronto, Ontario
March 1, 2007

Corporate Profiles

Accord Financial Corp., through its subsidiaries, offers superior financial services to small and medium-sized companies, providing the capital these firms need to grow and succeed. Accord's services include asset-based lending, factoring, credit investigation, guarantees, receivables collection, and record-keeping.

Incorporated in 1978, Accord Business Credit operates as an "old-line" factor specializing in credit protection and collection services. Offices and representatives are located in Toronto and Montreal. Major industries served are apparel, floor covering, furniture, footwear and sporting goods. Clients are mostly Canadian and U.S. companies; approximately one-quarter of total business is international in nature.

Formed in 1990 and acquired by Accord in 1992, Montcap Financial Corp. offers factoring services through the purchase of receivables, as well as asset-based lending and purchase order financing. All clients are in Canada. A wide variety of industries are served including automotive, oilfield services, electronics, medical equipment, food distribution, industrial products, apparel and textiles. Factoring for small and medium-sized businesses is one of the fastest growing areas in financial services. Montcap has offices in Montreal and Toronto.

Started as a predecessor company in 1977 and acquired by Accord in 1992, Accord Financial, Inc. specializes in factoring services by purchasing receivables for cash from small and medium-sized U.S. companies. Major clients are temporary staffing agencies, wholesale distributors, telecommunication providers, furniture and electronics manufacturers, textiles and other commercial enterprises. Its head office is located in Greenville, SC, with representative offices in Phoenix, AZ, St. Petersburg, FL. and Dallas, TX.

Principal Strategic Alliances

Export Ease™ and Export Ease Plus™ are turnkey services that give Canadian exporters all-inclusive receivables insurance, reporting and management. The services are offered in partnership with Export Development Canada (EDC) and take advantage of Accord's global network to provide effective, professional, receivables management. Export Ease Plus™ enables qualified exporters to discount their eligible foreign receivables and turn them into immediate cash through Montcap, as well as to obtain receivables insurance and management.

Liquid Capital is a major franchisor of factoring companies in the United States and Canada. It offers its franchisees a full back office system including credit guarantees. This service is provided through an exclusive arrangement with Montcap, which provides the back office processing infrastructure, credit guarantees and, if required, rediscounting facilities for the individual franchisees.

Factors Chain International ("FCI") is a global network of leading factoring companies whose common aim is to facilitate international trade through factoring and related financial services.

Management's Roundtable Discussion

Innovative.

Excerpts from a recent management meeting in preparation for the Annual Report. Present were: **Ken Hitzig**, *President of Accord Financial Corp.;* **Stuart Adair**, *Chief Financial Officer of Accord Financial Corp.;* **Mark Perna**, *President of Accord Business Credit Inc., the Company's non-recourse factoring operation;* **Fred Moss**, *President of Montcap Financial Corp., the Company's recourse factoring and asset-based lending operation in Canada; and* **Tom Henderson**, *President of Accord Financial, Inc., the Company's recourse factoring and asset-based lending operation in the United States.*

Ken: *Most years our usual format has been to focus on operating results. Since our Annual Report contains lots of numbers, data, ratios and so on, we decided that this year we would go behind the scenes, so to speak, and discuss what we do that results in these numbers, as well as the strategy that propels us there.*

Before we begin, perhaps it would be appropriate if we review the financial highlights of 2006. Stuart, can you summarize the year for us?

Stuart: We certainly had a pretty good year. Revenue was the second highest we've ever recorded: net income was third highest. Our return on shareholders' equity was 18.3% compared with our target range of 15% to 20%. On another positive note, general and administrative expenses were at the lowest level in seven years. On the negative side our write-offs were higher than usual so I guess that's something we need to address in 2007.

Ken: *Let's address it now. My understanding is that we have a system in place to approve and monitor credits and loans. Our shareholders would want to know how that works and what could go wrong. Fred, you took a few hits last year. Tell us about it.*

Fred: The approval and monitoring system works very well; in my opinion Accord has a very effective and fast approval process. A new loan has to be approved by a number of senior managers before it can get onto our books. Furthermore, if it exceeds one million dollars it requires the approval of a majority of Accord's Board of Directors. That said, loans occasionally go off the rails for a variety of reasons. If we've done our homework we come out without damage. If not, we get hit with a loss. In 2006 we had a couple of liquidations where our estimated realizable value of the collateral was too high. We were also unable to foresee the rapid decline in the financial position of these clients.

Ken Hitzig
President
Accord Financial Corp.

Stuart Adair
Chief Financial Officer
Accord Financial Corp.

Mark Perna
President
Accord Business Credit Inc.

Fred Moss
President
Montcap Financial Corp.

Tom Henderson
President
Accord Financial, Inc.

Ken: *Tom, you took one big hit in 2006 after a flawless 2005. Please elaborate.*

Tom: Of course, our approval process is the same as Fred's. We were financing a furniture importer. One large shipment from overseas was distributed to their customers in the U.S.A. Unfortunately, the quality was substandard and the customers refused to pay. There was huge shrinkage in customer collections, the client went bankrupt, and our loan was under water. This kind of thing will happen from time to time. Our job is to keep them to a minimum. It's not possible to be in the finance business and have no write-offs.

Ken: *Mark, is your system the same as the others?*

Mark: It is. We were very vigilant on credit and we were working in a very buoyant economy. As a result, our write-offs were very low. We underwrote the credit on over $700 million of shipments in 2006 and collected all but $250,000 of that total, a loss ratio of only 3 basis points. Obviously, it doesn't get much better than that.

Ken: *There were a few significant events last year that had an impact on Accord's results, or will have in 2007. Stuart, we bought back 573,100 shares for cancellation. What was the purpose of that?*

Stuart: Accord has always had a surplus of liquidity. By this I mean availability of bank funds; in a sense, we are under-leveraged. We're using an unnecessarily large amount of capital to conduct our business. This has the negative effect of reducing our return on equity. We tried to solve this problem by returning surplus capital to our shareholders which we did by paying a special dividend of $1.50 per share in 2004. Another tactic is to buy back and cancel some of our outstanding shares. This has the effect of reducing the number of outstanding shares and increasing per share earnings and return on shareholders' equity. The buy back in 2006 will be accretive to earnings per share in 2007 and beyond.

Ken: *Surely there's a limit to what Accord can pay for shares, is there not?*

Stuart: We try to establish a fair price for the shares beyond which we stay out of the market. Our notional price limit was $8.00 per share in 2006, but, of course, we did acquire shares for less than that. Our average cost for the 573,100 shares we bought was $7.79. We raised our quarterly dividend to 5.5 cents per share from 4.5 cents per share effective with the September 2006 payment.

Ken: We sold our 25% equity interest in Liquid Capital Corp. in 2006. I thought this was one of our strategic alliances that was working well for us.

Responsive.

Fred: It is working well. Liquid Capital needed more equity for expansion and we felt we had gone as far as we should go. They found new investors and one of their conditions was that we would bow out on the equity side. We did so, but we still have a substantial loan to them. At the time of the transaction our service agreement with Liquid Capital was renewed for another five years. All in all, it's been and continues to be a profitable and mutually beneficial relationship.

Ken: *Stuart, the office consolidation project of 2005 – 2006 is now complete. Tell us the net result.*

Stuart: Our two offices in Montreal were consolidated into one. The total cost was about $1.3 million. We reduced the number of employees and the total amount of space needed to run the business. We are more efficient now. Our savings in overhead were $700,000 in 2006 and will be similar in future years.

Ken: It appears our payback on the $1.3 million outlay will be less than two years.

Stuart: That's about right.

Ken: *Stuart, there are new requirements regarding internal controls this year. Can you tell us something about them?*

Stuart: Commencing with its 2006 year-end, Accord, and all other Canadian publicly-traded companies, had to comply with the Canadian Securities Administrators ("CSA") requirements regarding internal controls over financial reporting. Accord's management had to certify that it had designed its internal control over financial reporting at December 31, 2006 to provide reasonable assurance regarding the reliability of the Company's publicly disclosed financial statements.

Ken: *Isn't this the first step in the Canadian equivalent of the internal control rules of Sarbanes-Oxley in the U.S.?*

Stuart: Yes, it is. This project was quite lengthy and involved assessing our risk areas, documenting our major processes and internal controls and performing walkthrough tests.

Ken: *What was the end result?*

Stuart: The company identified no material weaknesses in the design of its internal control over financial reporting. We report on this in our MD&A. The next step is to be ready for the effectiveness testing of these internal controls, which, currently, will be effective for our 2008 fiscal year-end.

Ken: *Last year we discussed the various services we provide to our clients and how they benefit from them. This year our readers might be interested in knowing how we get new clients. What do we do to get new ones, what do we do to promote our services, and so on. Anyone want to start the ball rolling?*

"Our losses were only 3 basis points on over $700 million of credit underwritten in 2006. It doesn't get much better than that."

~ Mark Perna
Accord Business Credit Inc.

Experienced.

Mark: As head of our non-recourse factoring business, I have to sell a relatively unknown service. Basically, we are an accounts receivable outsource facility which tracks our client's receivables, collects from their customers, and, most importantly, guarantees collectibility. This pretty well reduces or eliminates risk of loss due to customer defaults. Our strength is in the retail sector so our service appeals to companies selling into the retail market. The challenge is to identify these vendors in order to make them aware of our service.

Ken: *How do you do that?*

Mark: Fortunately we have been in business for 29 years so our name is well known in the industry. As a result, our best source of new clients is referrals from existing and previous clients. We also advertise in various trade publications that specialize in industries in which we have expertise such as apparel and footwear. We have two excellent business development officers. We attend industry trade shows religiously. Lastly, we are members of Factors Chain International, an organization of factoring companies located around the world. FCI members send us their export business to Canada and we send them our export volume bound for their country.

Ken: *I presume you aren't alone. You must have competitors.*

Mark: We sure do. But we got an unexpected break at the end of 2006 when our biggest competitor closed down their Canadian operation and transferred their portfolio to their New York office. Presumably this was a cost cutting measure but it may turn out to be misguided. Retaining clients from a "foreign" office will be difficult, and getting new ones will be almost impossible. But this "void" will attract new competitors, you can be sure. On a

The Value of Accord Business Credit Inc.

Located in Trois-Rivières, Québec, Barakett Fashions Inc. has been a client of Accord Business Credit Inc. since its inception in 1987.

The company imports mid to high-end ladies wear from well-known European designers. A family business, Ms. Venise Barakett has been with the company from the beginning and became its President in 1993.

From its modest start, Accord has assisted the company in its steady profitable growth. Over the years, the company has acquired more designer lines and Accord was there to provide increased credit protection and collection support during its growth. Open lines of communication between Barakett Fashions and Accord have made our long-term association a win-win combination.

Barakett Fashions takes full advantage of the service technology offered by Accord, using our on-line FactView System to make credit requests and track accounts receivable. Also, their sales information is sent to Accord via EDI, eliminating the need to handle paper invoices.

"Accord's hands-on credit protection and guidance gave us the confidence to expand our customer base and at the same time control risk. As well, Accord's staff is professional and courteous when dealing with our customers."

~ Venise Barakett
President
Barakett Fashions Inc.

The Value of Montcap Financial Corp.

re·li·a·ble : adjective
1 : suitable or fit to be relied on: dependable
2 : giving the same result on successive trials

For over sixty years, and three generations, family owned Reliable Bookbinders Limited has been delivering quality binding services to major newspapers, catalogue distributors, printing companies and publishers.

Early in 2001, Reliable turned to Montcap for assistance when their bank was unable to support their plans for rapid expansion into the U.S. Within weeks of our first discussion, Montcap provided a $1.5 million accounts receivable funding facility.

For the past 6 years Reliable has counted on Montcap to deliver dependable financing solutions and to support them as their Scarborough, Ontario based enterprise evolved and grew.

Over these years Montcap has expanded and enhanced funding to Reliable to include loans for equipment upgrades and acquisitions. Reliable's sales continue to increase as does their profitability.

"Montcap's flexibility and quick reaction to support our opportunities and initiatives has enabled Reliable to achieve record performance. Although we have more choice today with regard to our short-term financing, we remain with Montcap for the simple reason that we can count on them."

~ Roy D. Johnson
President
Reliable Bookbinders Limited

"Montcap has been a true partner in working with Reliable, their contribution has played an important role in Reliable's ability to increase production capacity, and to concentrate on creating and providing new and exciting products for our clients."

~ Mary Pender
Marketing & Sales Manager
Reliable Bookbinders Limited

"Our referral program with a major Canadian bank has produced a number of good deals for us."

~ Fred Moss
Montcap Financial Corp.

Innovative.

different front, we compete with some insurance companies who sell credit insurance. As a rule, their rates are low so they tend to be pesky adversaries.

Ken: *How do you contend with that?*

Mark: When we go head-to-head with them we point out to the prospective client that our service is more comprehensive. With factoring the client gets better value for what they pay for compared with credit insurance, and there are no deductibles, co-insurance, etc. We don't win all those battles, but we get our share.

Ken: *Fred, you're head of our Canadian lending business. Where do you go to attract new clients?*

Fred: We have some very good business development officers. I wish we had more, but they aren't easy to find. We maintain strong relationships with professionals such as accountants and consultants. Our referral program with Scotiabank, a major Canadian bank, has produced a number of good deals for us. However, we work hard to develop relationships with other banks as well. We make sure the folks at the Turnaround Management Association know we are a good resource for them. We also attend their meetings and occasionally one of us is a guest speaker. We try to keep as high a profile as possible. Since we can't have representatives all over the country, our exclusive relationship with Liquid Capital fills that void as they have dozens of franchisees from coast to coast.

Ken: *Tom, you head up Accord's U.S. lending business. What are your sources of new business?*

Tom: We also develop and maintain relationships with consultants, lawyers and accountants, but the turnaround management people tend to be one of

"We are fast from first contact to first funding. This is great for the private equity investor because it means they can conserve capital for another deal."

~ Tom Henderson
Accord Financial, Inc.

Responsive.

our best sources. We advertise in their publications so that our name is constantly visible, and we attend their frequent seminars. Another source is commercial bankers; very often if you do a successful deal with them, they bring you another. They become converts. Some large finance companies refer "small" deals to us; some small finance companies refer "large" deals to us. A very important connection for us now is the private equity fund managers. They like to close their acquisition deals quickly and normally use as little of their own funds as possible. Our speed from first contact to first funding enables the new investors to leverage their investment and use their capital for another deal. Lastly, we had two development officers at the beginning of 2006 and are adding more to the point where we expect to have five by the end of 2007.

Ken: *I hope you folks are successful in putting lots of new business on the books. Do we have the financial resources to handle it?*

Stuart: I believe we do. We have lots of spare capacity in the U.S. and a very good relationship with Bank of America. In Canada, we recently raised our borrowing capacity by fifty percent by adding the Canadian Imperial Bank of Commerce to our funding resources. Together with Scotiabank we will have lots of room to grow.

Ken: Our Annual Report contains some case studies on companies that used our services successfully. These case studies are the living proof of the value Accord brings to the table. Accord is experienced, innovative and responsive. Our readers have been able to look behind the numbers and see what makes us tick.

Thank you gentlemen for your participation.

The Value of Accord Financial, Inc.

The boom in consumer electronics sales, particularly LCD computer monitors and flat panel televisions, has lenders scratching their heads about how to provide working capital for the importers and distributors of these hot selling items.

Historically, asset-based lenders, Accord's major competitors, as well as factors, don't fund these companies because they can be subject to huge dilution. Customers of these firms demand, and receive, significant discounts that can result in a shortfall of payments in excess of the normal reserves held by the lender.

Early in 2006 Accord was approached by a publicly traded consumer electronics and computer parts importer struggling to compete with the giant consumer product companies. In addition, their history of losses made it impossible for them to obtain bank financing.

Accord's thorough due diligence revealed their current products, which sell at a discount to the name brands, are well regarded in the industry. Furthermore, our analysis of the consumer electronics industry suggested that 90% of the client's product line would sell well.

Accepting the theory that the faster the product sells, the lower the risk of dilution, Accord provided a $6 million credit line at an advance rate slightly more conservative than normal to provide a larger cushion in case of dilution problems.

"With Accord's funding, the company increased its order size to its suppliers, thereby allowing it to accept larger orders from the big box retailers and other electronic retailers. They reported a profit for the second and third quarters of 2006, a sign the company has indeed turned around."

~ Matthew Panosian
Senior Vice President
Accord Financial, Inc.

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

Experienced.

Overview

The following discussion and analysis explains changes in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the year ended Dec. 31, 2006 compared with Dec. 31, 2005 and prior years. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results. This MD&A should be read in conjunction with the Company's 2006 audited consolidated financial statements and notes thereto (the "Statements"), the Ten Year Financial Summary (see page 29) and the President's Letter to the Shareholders, all of which form part of this 2006 Annual Report. Additional information pertaining to the Company, including its Annual Information Form, is filed under its profile on SEDAR at www.sedar.com.

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

The 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 asset-based financial services to businesses, including factoring, financing, collection services, credit investigation and guarantees. The Company's financial services are discussed in more detail earlier in this Annual Report. Its clients operate in many industries, including apparel, automotive, electronics, oilfield services, temporary staffing, telecommunications, financial services, textiles, food products, furniture, sporting goods, leisure products, transportation, footwear, plastics, freight forwarding and industrial products.

The factoring industry in North America is highly competitive and continues to be in transition with the consolidation and merger of major factors, and the entry of new players in niche markets. The Company continues to search for and investigate new business opportunities and acquisitions to fuel continued growth.

The Company operates three factoring companies in North America, namely, in Canada, Accord Business Credit Inc. ("ABC") and Montcap Financial Corporation ("MFC"), and, in the United States, Accord Financial, Inc. ("AFI"). ABC has been in operation since 1978. MFC and AFI were acquired on Dec. 31, 1992. These subsidiaries' operations are discussed further on pages 1 to 11 of this Annual Report.

The Company's business principally involves: (i) recourse factoring (by MFC and AFI), which entails financing or purchasing receivables on a recourse basis, as well as financing other

tangible assets, such as inventory, equipment and real estate, and (ii) non-recourse factoring (by ABC), which principally involves providing credit guarantees and collection services on a non-recourse basis, generally without financing.

Results of Operations

Fiscal 2006

Year ended December 31, 2006 compared with year ended December 31, 2005

The Company enjoyed a successful 2006 achieving net earnings of $7,117,000, the third highest year ever and 15% above 2005's net earnings of $6,210,000. Diluted earnings per share for 2006 were 72 cents compared with 62 cents last year. Net earnings in 2005 included an extraordinary gain of $908,000 on the acquisition of i Trade Finance Inc. ("i Trade") and were after charges, net of tax, of $670,000 relating to the consolidation of the Company's Montreal operations. Excluding these two items, net earnings would have been $5,972,000 in 2005 and the increase in 2006's earnings would have been 19%.

The Company's return on average shareholders' equity ("ROE") was a strong 18.3% in 2006 compared with 16.8% last year.

The volume of receivables factored by the Company declined slightly to $1.417 billion in 2006 compared with $1.424 billion last year. Volume in the Company's higher-yielding recourse business rose by 1%, while lower-yielding non-recourse volume declined by 2%. International volume, mostly cross-border business between the U.S. and Canada, rose to $313 million compared to $306 million in 2005. International volume comprised 22% of the Company's total volume in 2006, up slightly from 21% in 2005.

Revenue rose by $2,633,000 or 10% to $28,864,000 in 2006, the Company's second highest year ever, compared to $26,230,000 last year. Revenue rose despite the small decline in volume principally as a result of higher yields

Results of Operations

Years ended December 31	2006 Actual	2006 % of Revenue	2005 Actual	2005 % of Revenue	% change from 2005 to 2006
Factoring volume (millions)	$ 1,417		$ 1,424		-0.5%
Revenue					
Factoring commissions, discounts, interest and other income	$ 28,863,716	100.0%	$ 26,230,358	100.0%	10.0%
Expenses					
Interest	2,390,650	8.3%	1,762,733	6.7%	35.6%
General and administrative	13,289,460	46.0%	14,891,751	56.8%	-10.8%
Provision for credit and loan losses	1,961,357	6.8%	1,074,244	4.1%	82.6%
Depreciation	322,250	1.1%	337,808	1.3%	-4.6%
	17,963,717	62.2%	18,066,536	68.9%	-0.6%
Earnings before income taxes	10,899,999	37.8%	8,163,822	31.1%	33.5%
Income tax expense	3,783,000	13.1%	2,861,000	10.9%	32.2%
Earnings before extraordinary gain	7,116,999	24.7%	5,302,822	20.2%	34.2%
Extraordinary gain	—	—	907,600	3.5%	-100.0%
Net earnings	$ 7,116,999	24.7%	$ 6,210,422	23.7%	14.6%
Earnings per common share					
Basic	$ 0.73		$ 0.63		15.9%
Diluted	$ 0.72		$ 0.62		16.1%

Selected Annual Information

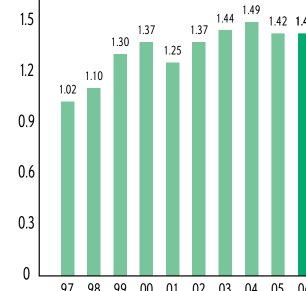
(audited, in thousands of dollars, except per share data)

	2006	2005	2004
Revenue	$ 28,864	$ 26,230	$ 27,418
Net earnings	7,117	6,210	7,624
Earnings per share			
Basic	$ 0.73	$ 0.63	$ 0.78
Diluted	0.72	0.62	0.76
Dividends per share*	0.20	0.18	1.68
Total assets	$ 84,679	$ 90,104	$ 74,045

*2004 includes a special dividend of $1.50 per share

Factoring Volume (in billions of dollars)

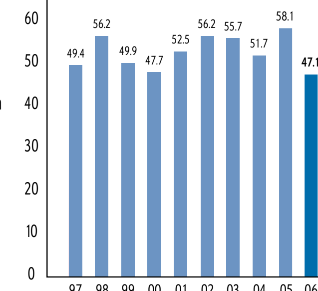
Factoring volume in 2006 was practically unchanged from the prior year at $1.42 billion.



Operating Expenses

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

Operating expenses declined to 47% of revenue in 2006, a ten year low, benefitting from last year's office consolidation process and higher revenue in 2006.

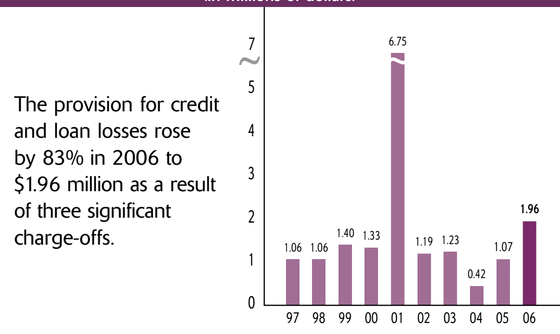


in the Company's recourse factoring business and higher interest earned on asset-based loans. Revenue included income of $75,000 from the sale of the Company's 25% interest in Liquid Capital Corp. ("LCC"), which was sold to facilitate outside investment in that company. Revenue in 2006 was somewhat adversely impacted by a 6% decline in the average value of the U.S. dollar against the Canadian dollar in the year causing the Canadian dollar equivalent of our U.S. subsidiary's revenue to be approximately $465,000 lower than it would otherwise have been.

Interest expense rose by $628,000 or 36% to $2,391,000 compared to $1,763,000 in 2005. The increase resulted from higher average borrowings (bank indebtedness and notes payable) and higher interest rates in 2006. Average borrowings rose by 10% in 2006 largely as a result of a rise in average factored receivables and loans in the year and the repurchase of shares under the Company's Normal Course Issuer Bids ("NCIB") (see note 10(c) to the Statements and below). The Company's borrowing rates were higher in 2006 as the average Canadian prime rate of interest rose to 5.8% per annum, up from 4.4% in 2005, while the average U.S. prime rate of interest increased to 8.0%, up from 6.2% in 2005.

General and administrative ("G&A") expenses comprise personnel costs, representing the majority of the Company's G&A expenses, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. G&A expenses declined by $1,603,000 or 11% to $13,289,000 in 2006 from $14,892,000 last year. In 2005, the Company incurred costs of $1,098,000 relating to staff and facility reductions in consolidating its Montreal operations into one office, while $206,000 was incurred in this respect in 2006 (see note 12 to the Statements). This process is now complete. Excluding these one-time costs from both years, G&A expenses would have declined by $711,000 in 2006 largely as a result of the cost savings effected through the office consolidation process. The Company continues to manage its controllable expenses closely. G&A expenses declined to 46% of revenue in 2006 compared with 57% last year. It was the lowest percentage in the last ten years.

The provision for credit and loan losses, a combination of net charge-offs and adjustments to the Company's allowances for losses, rose by 83% to $1,961,000 in 2006 from $1,074,000 in 2005. Net charge-offs increased to $2,074,000 (charge-offs of $2,216,000 less recoveries of $142,000) compared with $716,000 (charge-offs of $811,000 less recoveries of $95,000) in 2005.



There was a recovery of $113,000 (2005 – provision of $358,000) or reduction in the Company's allowances for losses in 2006 as the Company's portfolio of factored receivables and loans and managed receivables declined somewhat during the year and with it the credit risk inherent therein. The provision for credit and loan losses, as a percentage of revenue, totalled 6.8% in 2006, the second highest percentage in the last ten years, compared to 2005's rate of 4.1%. Net charge-offs increased to 7.2% of revenue in 2006 compared to 2.7% last year. The increase in net charge-offs in 2006 resulted from three significant charge-offs during the year. While the Company manages its portfolio of factored receivables and loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies as was seen this year.

Table 1—Profitability Ratios

(as a percentage)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Return on Average Assets	13.12	12.27	11.43	10.38	3.95	6.64	7.91	10.20	7.57	8.14
Return on Average Equity	20.32	18.72	21.18	21.12	7.01	10.57	13.23	19.10	16.81	18.33
Net Revenue / Average Assets	55.44	50.93	45.18	39.84	36.02	36.41	34.48	35.03	29.81	30.29
Operating Expenses / Average Assets	28.15	29.32	24.13	20.66	20.04	21.05	19.78	18.96	18.56	15.58

Depreciation on capital assets declined by $16,000 to $322,000 in 2006 compared with $338,000 in 2005 as fewer capital assets were acquired this year.

Income tax expense rose by 32% to $3,783,000 in 2006 compared to $2,861,000 last year as pre-tax earnings rose by a similar percentage. The Company's effective corporate income tax rate for 2006 was 34.7%, slightly below 2005's 35.0%.

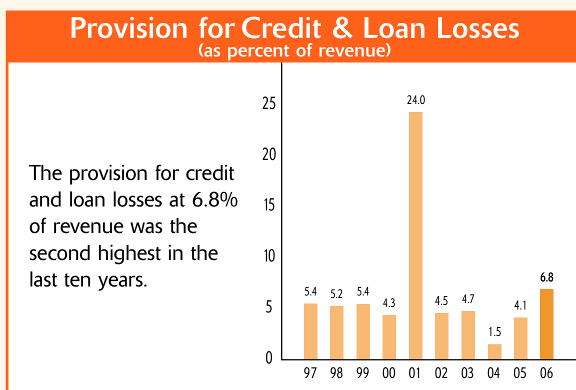
During 2005, the Company purchased 100% of the outstanding shares of i Trade, a small company specializing in international trade finance, at a cost of $1,616,000. As a result of the acquisition, the Company recognized an extraordinary gain of $908,000, which represented the excess of the fair value of assets acquired over the consideration paid.

Table 1 highlights the Company's profitability in terms of returns on its average assets and shareholders' equity. In 2006, on higher net earnings, these percentages rose to 8.1% and 18.3%, respectively.

Net revenue as a percentage of average assets increased slightly to 30.3% compared to 29.8% in 2005 on higher revenue. It has declined over the past ten years as the increase in assets – greater factored receivables and loans to clients – rose at a faster rate than net revenue as a result of the growth in the Company's recourse factoring business. The ratio of operating expenses to average assets has declined substantially over the last ten years as average assets increased. The ratio in 2006 was 15.6%, a significant decrease compared with 18.6% last year as expenses declined for the reasons noted above.

Canadian operations

Net earnings from Canadian operations rose by 24% to $4,994,000 in 2006 compared to $4,029,000 last year as a result of higher revenue



and lower G&A expenses (see note 19 to the Statements). Excluding last year's extraordinary gain of $908,000 and office consolidation costs, net of tax, of $670,000, net earnings would have been $3,791,000 in 2005 and the increase in Canadian earnings in 2006 would have been 32%.

Revenue increased by 11% to a record $21,966,000 in 2006 compared to $19,816,000 last year. Interest expense rose by $888,000 or 44% to $2,895,000 as average borrowings and interest rates rose. G&A expenses declined by $1,700,000 to $10,129,000. As noted above, while costs of $1,098,000 were incurred in 2005 relating to the consolidation of the Company's Montreal operations, substantial cost savings resulting from the office consolidation were achieved this year. The provision for credit and loan losses rose by $155,000 or 14% to $1,257,000 as net charge-offs rose on a couple of significant charge-offs. Canadian income tax expense rose by 65% to $2,423,000 in 2006 on a similar rise in pre-tax earnings.

Overall, both MFC, the Company's Canadian recourse factoring and asset-based lending subsidiary, and ABC, the Company's non-recourse factoring subsidiary, saw operating earnings improve in 2006. The prospects for improved net earnings from Canadian operations in 2007 appear good.

U.S. operations

Net earnings from U.S. operations declined by 3% to $2,123,000 in 2006 compared to $2,181,000 in 2005. In U.S. dollars, net income increased by 3% to US$1,869,000. Revenue rose by 7% to $7,622,000 principally on higher yields and despite being impacted by the weaker U.S. dollar. Interest expense declined to $220,000 compared with $382,000 last year as average bank indebtedness declined. G&A expenses were almost unchanged in 2006 at $3,161,000 as increased marketing and other overhead offset the impact of the weaker U.S. dollar. The provision for credit and loan losses increased to $704,000 in 2006 as a result of a significant charge-off, compared to a recovery of $28,000 last year. AFI's income tax expense fell by 3% to $1,360,000 in 2006 on a similar decrease in pre-tax earnings.

AFI is expecting to increase its factoring volume and factored receivables and loans in 2007 and with them, its net earnings. To do so, it will be necessary to efficiently manage its low cost structure and keep loan losses to a minimum.

Fourth quarter 2006

Quarter ended Dec. 31, 2006 compared with quarter ended Dec. 31, 2005

Net earnings for the quarter ended Dec. 31, 2006 declined by $336,000 or 12% to $2,460,000 compared to $2,796,000 in the fourth quarter of 2005. Diluted earnings per share were 25 cents compared to 28 cents last year. In the fourth quarter of 2005, net earnings included the above noted extraordinary gain of $908,000 and were after charges, net of tax, of $395,000 relating to the consolidation of the Company's Montreal operations. Excluding these two items, net earnings would have been $2,283,000 in the fourth quarter of 2005 and net earnings in the fourth quarter of 2006 would have risen by 8%.

Factoring volume for the quarter declined by 4% to $357 million compared to $370 million in the fourth quarter of 2005. Volume in the Company's higher-yielding recourse business declined by 1%, while volume in its lower-yielding non-recourse business declined by 6%.

Summary of Quarterly Financial Results

Quarters ended	2006 Dec. 31	2006 Sept. 30	2006 June 30	2006 Mar. 31	2005 Dec. 31	2005 Sept. 30	2005 June 30	2005 Mar. 31
Factoring volume (millions)	$ 357	$ 369	$ 320	$ 371	$ 370	$ 402	$ 332	$ 320
Revenue								
Factoring commissions, discounts, interest and other income	$ 7,647,019	$ 7,005,528	$ 6,997,410	$ 7,213,759	$ 7,117,040	$ 6,691,359	$ 6,554,383	$ 5,867,576
Expenses								
Interest	591,350	557,957	652,999	588,344	616,765	510,127	391,571	244,270
General and administrative	3,299,739	3,309,734	3,228,893	3,451,094	4,067,677	3,894,798	3,477,071	3,452,205
Provision for (recovery of) credit and loan losses	(72,394)	809,703	727,160	496,888	(506,553)	657,756	593,561	329,480
Depreciation	80,903	83,577	79,552	78,218	71,989	93,205	88,894	83,720
	3,899,598	4,760,971	4,688,604	4,614,544	4,249,878	5,155,886	4,551,097	4,109,675
Earnings before income taxes	3,747,421	2,244,557	2,308,806	2,599,215	2,867,162	1,535,473	2,003,286	1,757,901
Income tax expense	1,287,000	785,000	803,000	908,000	979,000	535,000	723,000	624,000
Earnings before extraordinary gain	2,460,421	1,459,557	1,505,806	1,691,215	1,888,162	1,000,473	1,280,286	1,133,901
Extraordinary gain	—	—	—	—	907,600	—	—	—
Net earnings	$ 2,460,421	$ 1,459,557	$ 1,505,806	$ 1,691,215	$ 2,795,762	$ 1,000,473	$ 1,280,286	$ 1,133,901
Earnings per common share								
Basic*	$ 0.26	$ 0.15	$ 0.15	$ 0.17	$ 0.28	$ 0.10	$ 0.13	$ 0.11
Diluted	$ 0.25	$ 0.15	$ 0.15	$ 0.17	$ 0.28	$ 0.10	$ 0.13	$ 0.11

* Due to rounding, the total of the quarterly basic earnings per common share for 2005 does not agree with the reported total for the year.

Revenue increased by $530,000 to $7,647,000 in the fourth quarter, despite the fall in volume, compared to $7,117,000 last year as higher yields were achieved and interest on asset-based loans increased. Fourth quarter revenue included the above noted $75,000 received from the sale of the Company's interest in LCC.

Interest expense declined by 4% to $591,000 in the fourth quarter compared to $617,000 last year as fourth quarter average borrowings declined. G&A expenses for the quarter fell by $768,000 to $3,300,000 compared to $4,068,000 last year. G&A expenses in the fourth quarter of 2005 included $647,000 relating to the consolidation of the Company's Montreal operations.

There was a recovery of credit and loan losses of $72,000 in the quarter compared to a recovery of $507,000 last year. The recovery this quarter principally resulted from the decrease in the Company's managed receivables in the quarter, largely due to seasonal factors, and the resultant requirement for a lower allowance for losses thereon, whereas in 2005 the higher recovery included recoveries of amounts previously charged off, as well as due to the usual seasonal decline in the allowance for losses required against managed receivables.

Income tax expense rose by 31% to $1,287,000 compared to last year on a similar rise in pre-tax earnings.

Canadian operations reported a 9% decline in net earnings in the fourth quarter of 2006. Net earnings decreased to $1,853,000 compared to $2,030,000 in 2005. 2005's net earnings included the $908,000 extraordinary gain on the i Trade acquisition and were after charges, net of tax, of $395,000 relating to the consolidation of the Company's Montreal operations. Excluding these two items, net earnings would have been $1,517,000 in the fourth quarter of 2005 and net earnings in the fourth quarter of 2006 would have risen by 22%. Revenue rose by $482,000 or 9% to $5,983,000, while expenses, including income tax expense, declined by $249,000 or 6% to $4,130,000. G&A expenses declined by $841,000 largely because 2005's expenses included $647,000 relating to the Montreal office consolidation. Partly offsetting the significant decline in G&A expenses was a $407,000 increase in income tax expense as

Book Value per Share (in dollars at December 31)

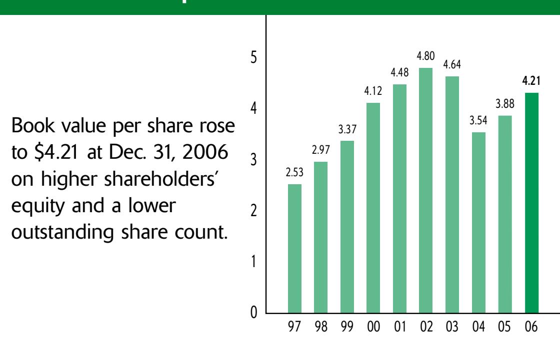


Table 2—Balance Sheet Composition

(as a percentage)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Tangible Equity / Assets	73.42	56.78	46.76	46.68	60.51	61.21	57.70	45.70	41.56	45.58
Equity / Assets	77.33	62.68	50.06	49.01	62.77	63.31	59.35	47.26	42.80	46.90
Term Debt / Equity	0	0	0	0	0	0	0	0	0	0
Receivables ($000)										
Owned	29,558	41,248	60,528	77,298	64,036	65,893	70,561	72,250	85,730	81,284
Managed	101,200	108,549	127,306	101,233	93,298	134,879	124,120	113,894	113,947	105,339
Total Portfolio	130,758	149,797	187,834	178,531	157,334	200,772	194,681	186,144	199,677	186,623

pre-tax earnings rose, as well as increased interest expense and a lower recovery of credit and loan losses.

U.S. operations reported lower results in the fourth quarter of 2006. Net earnings from U.S. operations declined by 21% to $607,000 compared to $766,000 last year on an increased provision for credit and loan losses. Revenue rose by $133,000 or 7% to $1,925,000. Expenses, including income tax expense, increased by $292,000 or 28% to $1,318,000 as the provision for credit and loan losses rose by $337,000 to $41,000 compared to a recovery of $296,000 in 2005.

Review of Balance Sheet

Shareholders' equity at Dec. 31, 2006 totalled $39,717,000, an increase of $1,153,000 from the previous year-end. Book value per share rose by $0.33 to $4.21 at Dec. 31, 2006 compared to $3.88 a year earlier. The increase in shareholders' equity principally arose from higher retained earnings resulting from 2006's net earnings (see Statement of Retained Earnings on page 35 of this Annual Report). It is noted the increase in shareholders' equity resulting from 2006's net earnings was to a large degree offset by the repurchase and cancellation of the Company's common shares pursuant to its NCIB at a total cost of $4,466,000 and the payment of dividends totalling $1,966,000 or 20 cents per common share in 2006. These items are discussed below. Book value per share rose on higher shareholders' equity and a lower number of outstanding shares as a result of repurchasing 573,100 common shares under the Company's NCIB (see note 10(c) to the Statements and page 22).

Total assets declined to $84,679,000 at Dec. 31, 2006, 6% below last year-end's record of $90,104,000. Total assets largely comprised factored receivables and loans. As detailed in the Ten Year Financial Summary, total assets have grown significantly in the last ten years in line with the growth in the Company's recourse factoring business.

Table 2 highlights the composition of the Company's balance sheet. The first two ratios in the table (46% and 47%), detailing equity as a percentage of assets, are considerably higher than those of most financial companies and indicate the Company's continued financial strength and low degree of leverage.

Excluding inter-company liabilities, 71% of identifiable assets were located in Canada and 29% in the United States at Dec. 31, 2006, compared to 70% and 30%, respectively, at Dec. 31, 2005 (see note 19 to the Statements).

Gross factored receivables and loans, before the allowance for losses, declined by 5% to

$81,284,000 at Dec. 31, 2006 compared to last year-end's record $85,730,000 (see note 4 to the Statements). Net of the allowance for losses, factored receivables and loans decreased by $4,407,000 to $79,863,000 at Dec. 31, 2006 compared with $84,270,000 last year-end. Factored receivables and loans principally represent advances made by our recourse factoring subsidiaries, MFC and AFI, to clients in a wide variety of industries. As noted above, these include automotive, oilfield services, apparel, financial services, warehousing and logistics, temporary staffing, printing, electronics, telecommunications, furniture and textiles. The Company's recourse factoring businesses had approximately 140 clients at Dec. 31, 2006. Only one client, at 5.2%, comprised over 5% of gross factored receivables and loans at Dec. 31, 2006.

As noted above, the Company, through ABC, also contracts with other 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 balance sheet. These non-recourse or "managed receivables" totalled $105 million at Dec. 31, 2006 compared to $114 million last year-end. Managed receivables comprise the receivables of approximately 185 clients principally in the apparel, furniture and footwear industries. The 25 largest clients comprised approximately 59% of non-recourse volume in 2006, the same as in 2005. Most of the clients' customers are retailers in Canada and the United States. At Dec. 31, 2006, approximately 61% of the total managed receivables were due from the 25 largest customers; the 5 largest comprised 40% of total managed receivables.

The Company's total portfolio, which comprises both gross factored receivables and loans ("owned receivables") and managed receivables, declined by 7% to $187 million at Dec. 31, 2006 compared to $200 million last year-end (see Table 2 and the Total Portfolio bar chart for a ten year history).

The nature of the Company's asset-based lending and factoring businesses requires it to fund or assume credit risk on the receivables offered to it by its clients, as well as to fund other assets such as inventory and equipment. All 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 Board of Directors. The Company monitors and controls its risks and exposures through financial, credit and legal reporting systems and, accordingly, believes that it has in place procedures for evaluating and limiting the credit risks to which it is exposed.

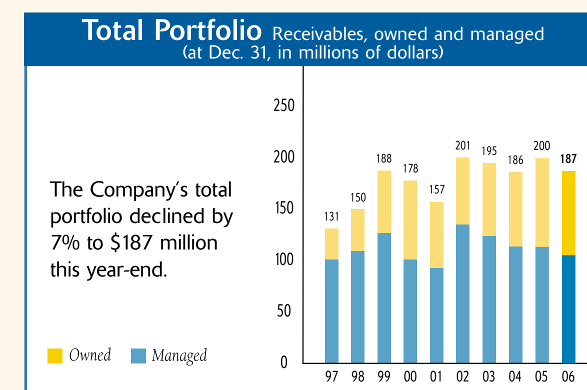
All credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by customers and clients. The Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. Monitoring and communicating with its clients' customers is measured by, among 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 invoice due dates ranging from 30 to 60 days from original shipping or invoice date. Of the total managed receivables, 9.9% were past due more than 60 days at Dec. 31, 2006 compared to 7.6% last year-end, while 8.3% of owned receivables were past due more than 60 days at Dec. 31, 2006 compared with 6.6% last year-end.

ABC employs a customer credit rating system to assess the credit risk associated with those client receivables that it guarantees. MFC and AFI employ a client rating system to assess credit risk, which reviews, among other things, the financial strength of each client, its management and the Company's underlying security, principally its clients' receivables, inventory and equipment. 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

Table 3—Credit Quality

(as a percentage)	1997	1998	1999	2000	2001	2002	2003	2004	2005	**2006**
Portfolio Turnover (days)	52	51	50	53	54	52	51	48	50	**50**
Managed Receivables past due more than 60 days	7.10	7.60	10.10	9.70	9.80	7.60	5.60	6.50	7.60	**9.90**
Reserves* / Portfolio	0.87	0.88	0.94	1.02	0.96	0.91	0.96	1.02	1.13	**1.15**
Reserves* / Net Charge-offs	112.32	149.15	183.14	142.96	21.49	206.80	157.15	482.44	314.80	**103.23**
Net Charge-Offs / Factored (Non-recourse) Volume	0.04	0.05	0.06	0.05	0.06	0.03	0.06	0.05	0.05	**0.03**

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



assets securing loans are professionally appraised. The Company assesses the financial strength of its clients' customers and the industries in which they operate. Examples of the clients' industries are set out above. For a factoring company, the financial strength of the 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 (currently, the Company will not lend more than $10 million to any one client), enforcing strict margins, and employing concentration limits on a customer and industry specific basis. The Company also confirms the validity of the majority of the receivables it purchases. 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.

Table 3 highlights the credit quality of the Company's portfolio, both owned and managed. Net charge-offs of our managed receivables in 2006 were the second lowest in the last ten years at $251,000 compared to $380,000 last year. Charge-off experience for managed receivables was 3 basis points of volume in 2006 and has been 6 basis points or less annually since 1997. During 2006, the Company's recourse factoring businesses suffered a substantial increase in net charge-offs, which rose to $1,823,000, principally as a result of a number of significant write-offs, compared to $336,000 last year. Overall, the Company's total net charge-offs, as discussed in the Results of Operations section above, increased by 189% to $2,074,000 in 2006 compared with $716,000 last year.

After the customary detailed year-end review of the Company's $187 million portfolio, all problem accounts and loans were identified and provided for. The Company maintains a separate allowance for credit and loan losses on both its factored receivables and loans and on its guarantee of managed receivables, at amounts, which, in management's judgment, are sufficient to cover losses thereon. The allowance for losses on factored receivables and loans was reduced by $39,000 to $1,421,000 at Dec. 31, 2006 compared to $1,460,000 at Dec. 31, 2005 as the credit risk thereon declined somewhat with the $4.4 million decrease in gross factored receivables and loans in 2006. The allowance for losses on the guarantee of managed receivables was reduced by 9% to $720,000 at Dec. 31, 2006 compared to $794,000 last year-end as managed receivables declined by a similar percentage. As these managed receivables are off-balance sheet, this allowance is included in the total of accounts payable and other liabilities. The activity in both the allowance accounts

for 2006 and 2005 is set out in note 4 to the Statements. The estimate of the allowances for losses is judgmental. Management considers both the allowances for losses to be adequate.

Cash increased to $2,150,000 at Dec. 31, 2006 compared to $1,168,000 at the end of 2005. 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.

Future income tax assets, net, declined, by $1,794,000 to $584,000 at Dec. 31, 2006 compared with $2,378,000 last year-end. The decrease principally results from utilization of the majority of tax loss carryforwards acquired as part of last year's i Trade purchase, and settlement of remaining lease obligations relating to the consolidation of the Company's Montreal operations (see note 12 to the Statements). Future income taxes at Dec. 31, 2006 included $381,000 in respect of the fair value of the remaining tax loss carryforwards available to the Company. The remaining $203,000 of future income tax assets, net, comprised temporary timing differences between the tax and accounting bases of certain assets and liabilities (see note 13 to the Statements).

Capital assets declined to $733,000 at Dec. 31, 2006 from $933,000 at Dec. 31, 2005. Capital assets acquired during the year, net of disposals, declined to $123,000 compared to $243,000 in 2005. Capital asset additions in 2006 and 2005 principally comprised computer and office equipment.

Goodwill, net of accumulated amortization, totalled $1,121,000 at Dec. 31, 2006 compared to $1,118,000 at Dec. 31, 2005. In accordance with GAAP, goodwill is no longer amortized (see note 3(f) to the Statements) but is subject to an annual impairment test. In 2006 and 2005, the Company determined there was no impairment to the carrying value of goodwill. The slight increase in goodwill in 2006 relates to the translation of AFI's goodwill balance of US$962,000 into Canadian dollars at a slightly higher year-end U.S. dollar exchange rate than at Dec. 31, 2005.

Total liabilities at Dec. 31, 2006 declined by $6,578,000 to $44,962,000 compared to last year-end. The decrease principally resulted from a decline in bank indebtedness of $5,906,000.

Bank indebtedness decreased by $5,906,000 to $26,687,000 at Dec. 31, 2006 compared with $32,593,000 at Dec. 31, 2005. Bank loans are secured primarily by factored receivables and

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.

Portfolio turnover

We try to minimize risk by turning our portfolio in as few days as possible. The turnover in 2006 was 50 days, the same as in 2005.

Past due receivables

We also try to keep our past due receivables as low as possible, for obvious reasons. Over the past ten years, the percentage of managed receivables past due more than 60 days has ranged from a low of 5.6% to a high of 10.1%. At Dec. 31, 2006, the percentage was 9.9%.

Reserves to portfolio

In an effort to minimize financial risk, we try to maximize this measure. Over the past ten years, it has been relatively consistent ranging between 0.87% and 1.15%. The percentage at Dec. 31, 2006 was the high of 1.15%.

Reserves to net charge-offs

Ideally, this percentage should be greater than 50%, which is to say that the year-end reserve would absorb about six months of charge-offs. This number has been consistently over 100% since 1997, except for the 21% at Dec. 31, 2001. At Dec. 31, 2006, it was 103%.

Net charge-offs to non-recourse volume

This is an important benchmark in our non-recourse business. The long term industry average ranges from 15 to 20 basis points. Our record has been very good since 1997. The figure in 2006 was 3 basis points.

loans to clients. The Company has no term debt outstanding. Bank indebtedness was paid down in 2006 from funds generated from operations, principally from earnings and the decline in gross factored receivables and loans.

Amounts due to clients declined by $865,000 to $4,227,000 at Dec. 31, 2006 compared to $5,092,000 at the end of 2005. Amounts due to clients principally consist of collections of managed receivables not yet remitted to clients. Contractually, the Company remits collections a day or two after receipt and amounts due tend to fluctuate.

Accounts payable and other liabilities declined by $1,760,000 to $3,720,000 at Dec. 31, 2006 compared to $5,480,000 last year-end. Last year's balance included $1,519,000 in respect of the fair value of two outstanding forward foreign exchange contracts, while at Dec. 31, 2006 one contract remained outstanding with a fair value of $644,000. Accounts payable and other liabilities at Dec. 31, 2005 also included $878,000 of accrued liabilities related to the consolidation of the Company's Montreal operations, while $60,000 remained outstanding in this regard at Dec. 31, 2006.

Income taxes payable totalled $221,000 at Dec. 31, 2006 compared to $85,000 at the end of 2005.

Deferred income, which comprises the deferral of a portion of factoring commissions and discounts until collection of the underlying receivables (see note 3(c) to the Statements), declined to $912,000 at Dec. 31, 2006 compared to $992,000 last year-end principally as a result of the decline in the Company's total portfolio in 2006.

Notes payable increased by $1,897,000 to $9,195,000 at Dec. 31, 2006 compared to $7,298,000 at Dec. 31, 2005. Notes payable represent funds borrowed on an unsecured basis and repayable on demand from shareholders, management, employees, other related individuals and third parties. These notes bear interest at bank prime rate less one half of one percent per annum, which is below the rate of interest the Company borrows from its banks and, accordingly, are a preferable source of funds. The increase in 2006 principally resulted from the issuance of new notes and the accrual of interest earned on certain existing notes.

Capital stock in 2006 increased by $15,000 to $5,991,000 at Dec. 31, 2006 (see note 10(b) to the Statements). During 2006, 86,000 stock options were exercised by directors and key management employees for proceeds of $344,000, while $29,000 was transferred to capital stock from contributed surplus upon the exercise of these stock options. Offsetting these increases was a $358,000 reduction in capital stock in respect of the shares repurchased and cancelled by the Company pursuant to the terms of its NCIB.

At Dec. 31, 2006, there were 9,442,771 common shares outstanding compared with 9,929,871 at Dec. 31, 2005. Details of the Company's stock option plans and options outstanding at Dec. 31, 2006 are set out in note 10(e) to the Statements. The Company has issued no options to employees or directors since May 2004 and currently does not plan to do so.

As described in note 10(c) to the Statements, the Company successfully repurchased and cancelled shares under its two NCIB in 2006. The first bid commenced on August 5, 2005 and expired August 4, 2006, while a new bid was commenced on August 8, 2006 and will expire on the earlier of August 7, 2007 or the date on which a total of 488,158 common shares have been repurchased. During 2006, 573,100 common shares were repurchased and cancelled under the Company's NCIB at a cost of $4,466,000 (an average price of $7.79 per common share). This amount was applied to reduce capital stock and retained earnings by $358,000 and $4,108,000, respectively. During 2005, the Company repurchased and

cancelled 38,700 common shares for a total consideration of $274,000 (an average price of $7.07 per common share), which was applied to reduce share capital by $23,000 and retained earnings by $251,000.

Contributed surplus totalled $201,000 at Dec. 31, 2006 compared to $220,000 at Dec. 31, 2005. The $19,000 decrease in 2006 comprised the above noted $29,000 that was transferred from contributed surplus to capital stock less the $10,000 stock-based compensation expense for 2006. Please refer to note 10(d) to the Statements.

Retained earnings increased by $1,043,000 in 2006 to $37,780,000 at Dec. 31, 2006 compared to $36,737,000 at Dec. 31, 2005. The increase in 2006 comprised net earnings of $7,117,000 less the premium paid on the shares repurchased under the NCIB of $4,108,000 and the total dividends paid in 2006 of $1,966,000. Please refer to the Consolidated Statements of Retained Earnings on page 35 of this Annual Report.

The cumulative translation adjustment ("CTA") component of shareholders' equity increased by $113,000 in 2006. There was a negative balance of $4,255,000 at Dec. 31, 2006 compared to a negative balance of $4,368,000 at Dec. 31, 2005. This increase was caused by the impact of the slight increase in the year-end value of the U.S. dollar against the Canadian dollar on the Company's net investment in its U.S. subsidiary of approximately US$26 million. The value of the U.S. dollar rose against the Canadian dollar from $1.163 at Dec. 31, 2005 to approximately $1.165 at Dec. 31, 2006, thereby increasing the Canadian dollar equivalent of the Company's investment.

Liquidity and Capital Resources

The Company's financing and capital requirements generally increase with the level of factored receivables and 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 with Canadian and U.S. banks. Bank borrowings are usually margined as a percentage of outstanding factored receivables and loans. The Company also raises funds through its notes payable program.

The Company had bank credit lines totalling approximately $67 million at Dec. 31, 2006 and had borrowed approximately $27 million against these facilities. Funds generated through operating activities, notes payable and share issues decrease the usage of, and dependence on, these lines.

As noted in the Review of Balance Sheet section above, the Company had cash of $2,150,000 at Dec. 31, 2006, an increase of $982,000 during 2006. Cash on hand is usually maintained at a minimum and surplus cash is used to repay bank indebtedness.

Cash inflow from earnings before changes in non-cash operating items totalled $8,994,000 in 2006, a 49% increase compared with $6,024,000 last year. After net cash flows due to changes in non-cash operating items are taken into account, there was a net cash inflow from operating activities of $11,016,000 in 2006, compared with a net cash outflow of $7,061,000 last year. Net earnings and a decline in gross factored receivables and loans principally explain the net cash inflow in 2006. Changes in the non-cash operating items in 2006 are discussed in the Review of Balance Sheet section above and detailed in the Company's Consolidated Statements of Cash Flows on page 36 of this Annual Report.

Net cash outflows from investing activities totalled $48,000 in 2006 compared to $1,859,000 last year. In 2006, cash expended on net capital asset additions of $123,000 was partially offset by the $75,000 received from the sale of the Company's interest in LCC. In 2005 cash was expended on the acquisition of i Trade at a

cost of $1,616,000 and on net capital asset additions at a cost of $243,000.

Net cash outflows from financing activities totalled $10,097,000 in 2006 compared to net cash inflows of $10,772,000 last year. In 2006, bank indebtedness of $5,906,000 was repaid, shares were repurchased under the NCIB at a cost of $4,466,000 and dividends paid totalling $1,966,000 (20 cents per common share). Offsetting these outflows was cash of $1,897,000 and $344,000 received from the issue of notes payable and common shares, respectively. In 2005, bank indebtedness rose by $16,985,000, while $328,000 was received from the issuance of shares. Offsetting these cash inflows were net redemptions of notes payable of $4,480,000, dividend payments totalling $1,787,000 (18 cents per common share) and the repurchase of common shares under the NCIB at a cost of $274,000.

The effect of change from translation in 2006 comprised a $111,000 increase compared to a $906,000 reduction in 2005. The increase in 2006 largely resulted from the $113,000 improvement in the CTA balance discussed above.

Overall, there was a net cash inflow of $982,000 in 2006 compared to $946,000 in 2005.

Contractual Obligations and Commitments at December 31, 2006

	Payments due in				
(in thousands of dollars)	Less than one year	Two and three years	Four and five years	After five years	Total
Operating lease obligations	$ 305	$ 493	$ 474	$ 666	$ 1,938
Purchase obligations	30	30	—	—	60
	$ 335	$ 523	$ 474	$ 666	$ 1,998

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 provide sufficient liquidity and capital resources for future growth in 2007.

Related Party Transactions

As noted above, the Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand and bear interest at the bank prime rate less one half of one percent per annum, which is below the rate of interest charged by the Company’s banks. Notes payable at Dec. 31, 2006 increased by $1,897,000 to $9,195,000 compared with $7,298,000 at Dec. 31, 2005. Interest expense on these notes in 2006 was $447,000 compared to $306,000 the previous year. A breakdown between amounts payable to related parties and to third parties and the respective interest expense is set out in note 9 to the Statements.

During December 2006, the Company disposed of its 25% interest in LCC for $75,000 for the reason noted on page 14. Net of tax, the Company recorded a $57,000 gain on the sale. At Dec. 31, 2006, LCC owed the Company $418,000 (2005 - $587,000). This loan earns interest at the bank prime rate plus three percent per annum. During 2006, interest income of $48,000 (2005 - $51,000) was earned on the loan to LCC. The Company also paid commissions to LCC in respect of the business referred to it by LCC and its franchisees. During 2006, commissions of $257,000 (2005 - $334,000) were paid to LCC. The Company’s loan to LCC is secured and the Company has the right to set-off commissions payable to LCC should it default on its repayment schedule.

Financial Instruments

Financial assets and liabilities, such as factored receivables and loans, cash, bank indebtedness, amounts due to clients, accounts payable and other liabilities, and notes payable, recorded at cost are short term in nature and, therefore, their carrying values approximate fair values.

In order to manage its foreign exchange exposure on a US$3,000,000 loan payable, the Company entered into a forward foreign exchange contract in 2004 with a financial institution that obliges it to sell Canadian dollars and buy US$3,000,000 on June 15, 2007 at an exchange rate of 1.398. The Company recognized an unrealized loss of $644,000 in respect of the contract at Dec. 31, 2006, being the fair value of this financial instrument as at that date. As a result of entering into the contract, the Company eliminated any exposure to foreign exchange gains or losses on the loan.

In addition, the Company had also entered into forward foreign exchange contracts with a financial institution that mature between January 31, 2007 and March 31, 2007 and oblige the Company to sell Canadian dollars and buy US$475,000 at exchange rates ranging from 1.122 to 1.124. The contracts were entered into by the Company on behalf of one of its clients and it is not exposed to any significant foreign exchange gains or losses on the contracts.

Critical Accounting Policies and Estimates

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

i) the allowance for credit and loan losses on both its 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. 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. 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 (see note 4 to the Statements).

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

Adoption of New Accounting Policies

The Company did not adopt any significant new accounting policies during the year ended Dec. 31, 2006 for the purposes of preparing its financial statements.

Future Changes in Accounting Policies

The Canadian Institute of Chartered Accountants ("CICA") has issued new accounting standards comprising handbook sections 3855 "Financial Instruments – Recognition and Measurement", 3865 "Hedges", 1530 "Comprehensive Income" and 3251 "Equity", which will become effective for the Company beginning January 1, 2007.

These standards provide guidance on the recognition, measurement and classification of financial assets, financial liabilities and non-financial derivatives. All financial assets, including derivatives, will be measured at fair value on the consolidated balance sheet with the exception of loans, receivables, investments classified as held to maturity and certain private equity investments, which should be measured at cost or amortized cost. Financial liabilities that are held for trading or are derivatives or guarantees will be measured at fair value on the consolidated balance sheet. Other financial liabilities will be measured at amortized cost. The new standards also establish the accounting requirements for hedges. Any hedge ineffectiveness will be recognized immediately in income. Accumulated other comprehensive income (AOCI) will be included on the consolidated balance sheet as a separate component of shareholders' equity. The changes in carrying value of financial instruments and related deferred balances as a result of adopting these new standards will be recognized in opening retained earnings and in opening AOCI as at January 1, 2007. On October 18, 2006, the CICA issued an exposure draft amending the transitional provisions for adopting the new accounting standard for hedges. The impact of these new standards is not expected to have a significant effect on the net income of the Company.

Controls and Procedures

Disclosure controls and procedures

The Company's management, including its President and Chief Financial Officer, are responsible for establishing and maintaining the Company's disclosure controls and procedures and has designed same to provide reasonable assurance that material information relating to the Company is made known to it by others within the Company on a timely basis. The Company's management has evaluated the effectiveness of its disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA")) as at Dec. 31, 2006, 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;

(iii) the Company's management has designed its internal control over financial reporting as at Dec. 31, 2006 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with GAAP and advises that there are no material weaknesses in the design of internal control over financial reporting that have been identified by management.

Risks and Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance. Although management remains

optimistic about the Company's long-term prospects, future results are subject to substantial risks and uncertainties. Factors that may impact on the Company's results include, but are not limited to, the factors discussed below.

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

Economic slowdown

The Company operates in Canada and the United States. Economic weakness in either of the Company's markets affects its ability to do new business as quality prospects become limited. 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 other asset-based loans. The Company's portfolio totalled $187 million at Dec. 31, 2006. Operating results may be adversely affected by large bankruptcies and/or insolvencies.

Interest rate risk

The Company's agreements with its clients (interest revenue) and lenders (interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to some degree. However, as the Company's factored receivables and loans currently substantially exceed its borrowings, the Company is exposed to some degree to interest rate fluctuations.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources are held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and to 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 upon the translation of its U.S. subsidiary's results into Canadian dollars. It has also caused a decrease in the value of the Company's net Canadian dollar investment in its U.S. subsidiary, which has reduced the cumulative translation adjustment component of shareholders' equity.

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 and medical benefits, as it continuously seeks to align the interests of employees and shareholders.

Outlook

The Company's principal objective is managed growth – putting quality new business on the books while maintaining high standards of credit. Recent marketing initiatives and alliances are continuing to bear fruit. Export Ease, our export factoring program, and our association with LCC have been producing growth. MFC has a long standing referral program with Bank of Nova Scotia, which includes an export factoring program marketed to the bank's customers and future referrals. Our U.S. operation, which is starting to see increased deal flow, is looking to do participations with other factoring and finance companies and is active within the turnaround management industry.

Through experienced management and staff, coupled with its financial resources and responsiveness, the Company is well positioned to meet increased competition and develop new opportunities. It continues to look to introduce innovative new financial and credit services to fuel growth in a very competitive and challenging environment. Finally, it continues to seek promising companies or loan portfolios to acquire.

Stuart Adair
Chief Financial Officer
March 1, 2007

Summary of 2006 Highlights

- Net earnings, the third highest ever, increased by 15% to $7,117,000 in 2006.
- Diluted earnings per share rose by 16% to 72 cents.
- Return on Shareholders' equity was a strong 18.3%.
- Revenue increased by 10% in 2006 to $28.9 million, the second highest ever.
- General and administrative expenses declined to 46% of revenue in 2006, the lowest in the last 10 years, and, in actual dollars, were the lowest in the last 7 years.
- The Company successfully repurchased 573,100 common shares pursuant to its Normal Course Issuer Bids in 2006.
- Dividends of 20 cents per common share were paid.

Ten Year Financial Summary 1997-2006

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

		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Factoring volume	$	1,016	1,097	1,304	1,372	1,253	1,366	1,439	1,489	1,424	1,417
Revenue	$	19,672	20,275	26,144	31,031	28,197	26,235	26,214	27,418	26,230	28,864
Interest		553	493	1,697	2,516	1,569	757	773	1,225	1,762	2,391
General and administrative		9,387	11,049	12,635	14,422	14,422	14,324	14,175	13,760	14,892	13,290
Provision for credit and loan losses		1,060	1,061	1,403	1,328	6,754	1,189	1,231	422	1,074	1,961
Depreciation and amortization		1,708	590	820	654	828	408	418	416	338	322
Provision for settlement of claim		—	—	—	—	—	2,339	712	—	—	—
Total expenses		12,708	13,193	16,555	18,920	23,573	19,017	17,309	15,823	18,066	17,964
Earnings before income tax		6,964	7,082	9,589	12,111	4,624	7,218	8,905	11,595	8,164	10,900
Income tax expense		2,440	2,317	3,405	4,683	1,705	2,569	3,066	3,971	2,861	3,783
Earnings before extraordinary gain		4,524	4,765	6,184	7,428	2,919	4,649	5,839	7,624	5,303	7,117
Extraordinary gain		—	—	—	—	—	—	—	—	907	—
Net earnings	$	4,524	4,765	6,184	7,428	2,919	4,649	5,839	7,624	6,210	7,117
Earnings per common share											
Basic	$	0.46	0.51	0.66	0.79	0.31	0.49	0.61	0.78	0.63	0.73
Diluted	$	0.46	0.49	0.64	0.76	0.30	0.49	0.61	0.76	0.62	0.72
Dividends per common share	$	0.085	0.10	0.12	0.14	0.14	0.14	0.16	1.68	0.18	0.20
Factored receivables and loans	$	29,090	40,672	55,838	70,156	63,075	64,882	69,479	71,136	84,270	79,863
Other assets		3,554	4,360	7,349	9,797	4,807	7,186	6,005	2,909	5,834	4,816
Total assets	$	32,644	45,032	63,187	79,953	67,882	72,068	75,484	74,045	90,104	84,679
Bank indebtedness	$	1,717	7,559	20,714	30,748	11,732	10,298	20,045	15,608	32,592	26,687
Due to clients		2,368	3,594	4,852	3,487	7,932	6,783	4,309	5,532	5,092	4,227
Accounts payable and other liabilities		2,953	4,391	4,219	3,941	2,553	5,952	2,932	5,227	5,565	3,940
Deferred income		695	753	1,028	1,124	937	956	916	908	992	913
Notes payable		185	974	742	1,466	2,119	2,451	2,482	11,778	7,298	9,195
Total liabilities		7,918	17,271	31,555	40,766	25,273	26,440	30,684	39,053	51,539	44,962
Shareholders' equity		24,726	27,761	31,632	39,187	42,609	45,628	44,800	34,992	38,565	39,717
Total liabilities and equity	$	32,644	45,032	63,187	79,953	67,882	72,068	75,484	74,045	90,104	84,679
Shares outstanding at Dec. 31		9,779	9,337	9,383	9,503	9,503	9,513	9,650	9,876	9,930	9,443
Book value per share	$	2.53	2.97	3.37	4.12	4.48	4.80	4.64	3.54	3.88	4.21
Share price - high	$	4.50	5.75	5.75	6.60	6.65	5.85	7.55	11.25	8.80	8.25
- low	$	3.00	4.00	4.25	5.00	4.56	4.80	4.95	6.50	6.70	7.00
- close at Dec. 31	$	4.15	4.30	5.50	5.60	5.10	5.05	7.05	8.75	7.05	7.75

Board of Directors

Experienced.

Accord's Board of Directors reviews business recommendations put forth by management, scrutinizes financial results, and evaluates compensation and human resource issues.

The ultimate goal of the Board is to direct and assist management in building and enhancing shareholder value. Business experience, sound judgement and skill sets provide solid benefits to the Company.

Ken Hitzig
Toronto, Ontario

Mr. Hitzig founded Accord 29 years ago and has seen his initial vision grow into a highly successful North American factoring and finance company. In addition to a B.Comm. from McGill University and a C.A. designation, Mr. Hitzig has over 45 years experience in the factoring industry.

Robert J. Beutel
Toronto, Ontario

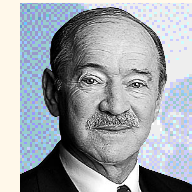
Mr. Beutel holds an M.S.E. from the University of Michigan and has served on the Board of Directors since 1990. Mr. Beutel is president of Oakwest Corporation Limited, an investment management and holding company. He is also chairman of Strongco Income Fund and Hanfeng Evergreen Inc.

Austin C. Beutel
Toronto, Ontario

Mr. Beutel has been a member of Accord's Board of Directors since its establishment 29 years ago. He holds an M.B.A. (Harvard) and is a Chartered Financial Analyst with 50 years of business experience. Mr. Beutel is chairman of the Board's Audit Committee and a member of its Compensation Committee. Mr. Beutel also serves as chairman and director of The Equitable Group Inc., and as a director of Astral Media Inc., Aecon Group Inc., and Opta Minerals, Inc.

Frank D. White
Mount Royal, Quebec

Mr. White is the owner of several independent businesses, including TMS Truck Masters, and has served as a director of Accord since 1992. With a B.Comm., a C.A. designation and over 45 years business experience, Mr. White serves on the Board's Audit Committee. Mr. White is also a member of the Board of Governors of Dynamic Mutual Funds.

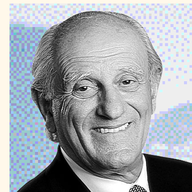


John D. Lamont
Oakville, Ontario

Mr. Lamont has served on the Board of Directors of the Company since 1988 and contributes close to 50 years of hands-on business experience. A licensed customs broker, Mr. Lamont is chairman and CEO of Lamont Management Inc. and over the last two decades has been involved in the acquisition of 17 companies. A member of the Audit and Compensation Committees, Mr. Lamont also serves as a director of other entrepreneurial companies.

Ben Evans
Stamford, Connecticut

Mr. Evans is a Certified Public Accountant with over 50 years of business experience. He has served as both a partner and a consultant with Ernst & Young, New York City, specializing in factoring and finance companies, and in advising creditors in insolvencies. Mr. Evans is a member of the Board's Audit Committee. He also serves on the boards of Factory Card & Party Outlet Inc. and The Penn Traffic Company.



H. Thomas Beck
Toronto, Ontario

A member of the Board since Accord began, Mr. Beck brings with him over 50 years of corporate experience building and operating a large manufacturing company. Mr. Beck serves on the Board's Compensation Committee. He also sits on the Board of Governors of the Toronto Symphony Orchestra, is deputy chairman of the International Board of Directors of the Weizmann Institute of Science and a director of Datamark Systems Group Inc. Mr. Beck holds a P.Eng. and B.Sc. (Eng.) from London University.

Jeremy R. Hitzig
New York, New York

Mr. Hitzig is chief executive officer and a director of The Distinguished Programs Group LLC, a New York-based company specializing in property and casualty insurance for the real estate industry. Distinguished's operating units also include ReSource Pro, a back office support and remote staffing operation in Qingdao, China. Mr. Hitzig is a graduate of McGill University and received his M.B.A. from Columbia Business School in New York. He also holds the Chartered Financial Analyst and Chartered Property and Casualty Underwriter designations.

Corporate Governance

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

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

The Company's corporate governance practices are outlined below.

Mandate and Responsibilities of the Board

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

(i) satisfying itself as to the integrity of the Company's President and other executive officers and that they create a culture of integrity within the Company;
(ii) adoption of a strategic planning process – the Board participates in strategic and operational planning initiatives as they develop, provides direction to management and monitors its success in achieving those initiatives;
(iii) identification of the principal risks of the Company's business and ensuring that there are systems in place to effectively monitor and manage these risks. In this respect, the Board reviews and approves all credit above $1,000,000, including loans to clients and assumption of credit risk;
(iv) appointing, training 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 a policy in place to disseminate information, respond to inquiries, issue press releases covering significant business activities and display information on the Company's web site;
(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 financial statements 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 addition to those matters which must by law be approved by the Board, management seeks Board approval for any transaction which is outside of the ordinary course of business or could be considered to be material to the business of the Company. The frequency of the meetings of the Board, as well as the nature of agenda items, change depending upon the state of the Company's affairs and in light of opportunities or risks which the Company faces. The Board meets at least quarterly to review the business operations and financial results of the Company, including regular meetings both with, and without, management to discuss specific aspects of the operations of the Company. Each director is expected to attend all Board meetings and comprehensively review meeting materials provided in advance of each meeting. During 2006 there were four meetings of the Board of Directors. All directors attended all four meetings, with the exception of Mr. Frank White who attended three.

Composition of the Board

The Board, as shown on page 30, currently comprises eight persons. Of the current board, seven directors are considered to be independent, since their respective relationships to the Company are independent of management and free from any interest or business which could, or could reasonably be perceived to, materially interfere with or compromise each director's ability to act with a view to the best interests of the Company, other than interests arising from shareholdings. Mr. Ken Hitzig, President, is an officer of the Company and is, by definition, a related director. All directors stand for re-election annually. A number of directors also act as directors of other public companies. These directorships, if any, are set out in each Board member's biography on page 30.

The Board has considered its size and the number of directors and believes that the current size facilitates effective decision-making and direct and immediate communication between

the directors and management. It also 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.

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. 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.

The Board does not have a formal chair or "lead" director and it is felt that, given the current structure of the Board and the fact that seven of its eight members are independent of management, one is not needed. The Board believes that there are adequate structures in place to facilitate the functioning of the Board independent of management without the need for a chair. Should the need develop in the future, the Board will consider whether a formal or acting chair or a "lead" director is required.

Given the fact that there have only been two new directors of the Company in the past fifteen years, 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 dictatorships and/or other outside sources.

Committees of the Board

The Board discharges its responsibilities directly and through two committees: an Audit Committee and a Compensation Committee.

The Audit Committee is composed of Mr. Austin Beutel, Chairman, Mr. Ben Evans, Mr. John Lamont and Mr. Frank White, each of whom is an independent director. Each member of the Audit Committee is financially literate, that is, they are able to read and understand fundamental financial statements. The Charter of the Audit Committee sets out the Committee's responsibilities which include reviewing quarterly and annual financial statements and MD&A and related press releases before they are approved by the Board; making recommendations to the Board regarding the appointment of independent auditors and assuring their independence; meeting with the Company's management at least quarterly; reviewing annual audit findings with the auditors and management; and reviewing the risks faced by the Company, the business environment, the emergence of new opportunities and risks, and the steps management has taken to mitigate exposure to significant risks. During 2006 there were four meetings of the Audit Committee, which were attended by all members, with the exception of Mr. Frank White who attended three meetings.

The Audit Committee has adopted a corporate Code of Ethics and a "whistleblower policy" whereby any director, officer or employee of the Company or its subsidiaries who is aware of acts by a director, officer or employee which are in contravention of the standards of business and personal ethics required of them by the Company, or in violation of applicable laws and regulations, is required to bring such matters to the attention of management or directly to the Chairman of the Audit Committee. All reported violations will be investigated and appropriate corrective action taken if warranted.

The Compensation Committee is composed of Mr. Austin Beutel, Mr. John Lamont and Mr. Thomas Beck, each of whom is an independent director. 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. A report on executive compensation is included in the Company's Management Information Circular each year. During 2006 there were two meetings of the Compensation Committee, which were attended by all three members.

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.

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 Management's Discussion and Analysis ("MD&A") contained in this annual report. This responsibility includes the selection of the Company's accounting policies in addition to judgments and estimates in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The accounting principles which form the basis of the consolidated financial statements and the more significant policies applied are described in notes 2 and 3 to the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators' ("CSA") 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 Company's disclosure controls and 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 independent directors. The Committee meets at least quarterly with management and periodically with the Company's auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and MD&A and to recommend approval of the consolidated financial statements and MD&A to the Board.

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

Stuart Adair
Chief Financial Officer

Toronto, Canada
February 1, 2007

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Accord Financial Corp. as at December 31, 2006 and 2005 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada
February 1, 2007

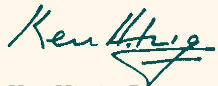
Consolidated Balance Sheets

At December 31

	2006	2005
Assets		
Factored receivables and loans, net (notes 4 and 5)	$ 79,862,733	$ 84,270,483
Cash	2,150,126	1,168,323
Other assets	228,501	236,737
Future income taxes, net (note 13)	584,013	2,377,954
Capital assets (note 6)	732,928	932,527
Goodwill (note 7)	1,120,761	1,118,453
	$ 84,679,062	$ 90,104,477
Liabilities		
Bank indebtedness (note 8)	$ 26,686,667	$ 32,592,796
Due to clients	4,226,682	5,092,202
Accounts payable and other liabilities	3,719,852	5,480,491
Income taxes payable	220,796	84,509
Deferred income	912,986	992,138
Notes payable (note 9)	9,194,764	7,297,813
	44,961,747	51,539,949
Shareholders' equity		
Capital stock (note 10)	5,990,645	5,975,338
Contributed surplus (note 10(d))	201,396	219,943
Retained earnings	37,779,781	36,737,298
Cumulative translation adjustment	(4,254,507)	(4,368,051)
	39,717,315	38,564,528
Commitments and contingencies (notes 4, 16, 17 and 18)		
	$ 84,679,062	$ 90,104,477
Common shares outstanding (note 10)	9,442,771	9,929,871

See accompanying notes to consolidated financial statements.

On behalf of the Board



Ken Hitzig, Director

Austin C. Beutel, Director

Consolidated Statements of Earnings

Years ended December 31

	2006	2005
Revenue		
Factoring commissions, discounts, interest and other income	$ 28,863,716	$ 26,230,358
Expenses		
Interest	2,390,650	1,762,733
General and administrative (note 12)	13,289,460	14,891,751
Provision for credit and loan losses	1,961,357	1,074,244
Depreciation	322,250	337,808
	17,963,717	18,066,536
Earnings before income taxes	10,899,999	8,163,822
Income tax expense (note 13)	3,783,000	2,861,000
Earnings before extraordinary gain	7,116,999	5,302,822
Extraordinary gain (note 14)	—	907,600
Net earnings	$ 7,116,999	$ 6,210,422
Earnings per common share (note 15)		
Basic	$ 0.73	$ 0.63
Diluted	$ 0.72	$ 0.62
Weighted average number of common shares (note 15)		
Basic	9,802,730	9,919,457
Diluted	9,935,873	10,096,946

Consolidated Statements of Retained Earnings

Years ended December 31

	2006	2005
Retained earnings at January 1	$ 36,737,298	$ 32,564,053
Net earnings	7,116,999	6,210,422
Dividends paid	(1,966,028)	(1,786,482)
Premium on shares repurchased for cancellation (note 10(c))	(4,108,488)	(250,695)
Retained earnings at December 31	$ 37,779,781	$ 36,737,298

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31

	2006	2005
Cash provided by (used in)		
Operating activities		
Net earnings	$ 7,116,999	$ 6,210,422
Items not involving cash		
Extraordinary gain	—	(907,600)
Allowances for losses, net of charge-offs and recoveries	(113,000)	349,100
Deferred income	(79,152)	78,240
Depreciation	322,250	337,808
Impairment of capital assets	—	134,763
Future income tax expense (recovery)	1,793,941	(216,800)
Stock-based compensation expense	10,458	38,025
Gain on sale of investment in affiliate (note 5)	(57,063)	—
	8,994,433	6,023,958
Change in non-cash operating items		
Factored receivables and loans, gross	4,446,750	(12,888,250)
Due to clients	(865,520)	(439,358)
Income taxes payable	118,350	(223,016)
Other assets	8,236	(76,961)
Accounts payable and other liabilities	(1,686,639)	542,563
	11,015,610	(7,061,064)
Investing activities		
Additions to capital assets, net	(122,651)	(243,053)
Proceeds on sale of investment in affiliate (note 5)	75,000	—
Acquisition of i Trade Finance Inc. (note 14)	—	(1,616,209)
	(47,651)	(1,859,262)
Financing activities		
Bank indebtedness	(5,906,129)	16,984,996
Notes payable issued (redeemed)	1,896,951	(4,480,305)
Issuance of shares	343,900	327,650
Repurchase and cancellation of shares	(4,466,086)	(273,609)
Dividends paid	(1,966,028)	(1,786,482)
	(10,097,392)	10,772,250
Effect of change from translation	111,236	(906,042)
Increase in cash	981,803	945,882
Cash at January 1	1,168,323	222,441
Cash at December 31	$ 2,150,126	$ 1,168,323
Supplemental cash flow information		
Interest paid	$ 2,104,321	$ 1,531,684
Income taxes paid	1,830,868	3,483,961

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Years ended December 31, 2006 and 2005

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 of America.

2. Basis of presentation
These financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

3. Significant accounting policies
(a) *Basis of consolidation*
These financial statements consolidate the accounts of the Company and its wholly owned subsidiaries, namely, in Canada, Accord Business Credit Inc. and Montcap Financial Corporation ("MFC"), and, in the United States, Accord Financial, Inc. Inter-company balances and transactions are eliminated upon consolidation.

(b) *Accounting estimates*
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting years. Actual results could differ from those estimates. Estimates that are particularly judgmental relate to the determination of the allowance for losses relating to factored receivables and loans and to managed receivables (note 4). Management believes that both allowances for losses are adequate.

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

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

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

(e) *Capital assets*
Capital assets are stated at cost. Depreciation is provided annually over the estimated

useful lives of the assets as follows:

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

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

(f) Goodwill

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

(g) Income taxes

The Company follows the asset and liability method of accounting for income taxes, whereby future income tax assets and liabilities are recognized based on temporary differences between the tax and accounting bases of assets and liabilities, as well as losses available to be carried forward to future years for income tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are expected to reverse and are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment. To the extent that the realization of future income tax assets is not considered to be more likely than not, a valuation allowance is provided.

(h) Foreign subsidiary

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

(i) Foreign currency translation

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

(j) Financial assets and liabilities

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

(k) Earnings per common share

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

(l) Stock-based compensation

The Company accounts for stock-based compensation awards, including stock options issued to employees and directors, using a fair value based method. Under this fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period as a charge to compensation expense with a corresponding increase to contributed surplus.

(m) Derivative financial instruments

The Company records derivative financial instruments on its balance sheet at their respective fair values. Changes in the fair value of these instruments are reported in

earnings unless all of the criteria for hedge accounting are met.

4. Factored receivables and loans

	2006	2005
Factored receivables	$57,838,875	$ 59,552,351
Loans to clients	23,444,858	26,178,132
Factored receivables and loans, gross	81,283,733	85,730,483
Less allowance for losses	1,421,000	1,460,000
Factored receivables and loans, net	$79,862,733	$ 84,270,483

The activity in the allowance for losses on factored receivables and loans account during 2006 and 2005 was as follows:

	2006	2005
Allowance for losses at January 1	$ 1,460,000	$ 1,114,000
Provision for credit and loan losses	1,784,755	682,417
Charge-offs	(1,922,571)	(389,805)
Recoveries	98,816	53,388
Allowance for losses at December 31	$ 1,421,000	$ 1,460,000

The Company has also entered into agreements with clients whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At December 31, 2006, the gross amount of these managed receivables was $105,339,440 (2005 - $113,946,888). Management has provided an amount of $720,000 (2005 - $794,000) as an allowance for losses on the guarantee of these managed receivables. As these managed receivables are off-balance sheet, this liability is included in the total of accounts payable and other liabilities.

The activity in the allowance for losses on the guarantee of managed receivables account during 2006 and 2005 was as follows:

	2006	2005
Allowance for losses at January 1	$ 794,000	$ 782,000
Provision for credit losses	176,602	391,827
Charge-offs	(293,826)	(420,752)
Recoveries	43,224	40,925
Allowance for losses at December 31	$ 720,000	$ 794,000

The nature of the Company's business requires it to fund or assume credit risk on receivables offered to it by its clients. All 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 Board of Directors. The Company monitors and controls its risks and exposures through financial, credit and legal reporting systems and, accordingly, believes that it has in place procedures for evaluating and limiting the credit risks to which it is subject.

5. Investment in and advances to affiliate

During December 2006, the Company disposed of its 25% interest in Liquid Capital Corp. (“LCC”) for $75,000, which has been reported in income. Net of tax, the Company recorded a gain of $57,063 on the sale.

At December 31, 2006, the Company was owed $417,927 (2005 - $586,550) by LCC, which monies were advanced to fund LCC’s U.S. expansion. This amount is included in the total of factored receivables and loans. The Company’s loan to LCC is secured and the Company has the right to set-off commissions payable to LCC should it fall in default of its repayment schedule.

During 2006, interest income of $48,312 (2005 - $50,861) was earned on the loan to LCC. The Company also paid commissions to LCC in respect of business referred to it by LCC and its franchisees. During 2006, commissions of $257,467 (2005 - $333,824) were paid.

6. Capital assets

	2006	2005
Cost	$ 2,703,615	$ 2,592,353
Less accumulated depreciation	1,970,687	1,659,826
	$ 732,928	$ 932,527

During 2005, in conjunction with the consolidation of its Montreal operations (note 12), the Company reviewed its capital assets and determined that the carrying values of certain assets were impaired. In this regard, capital assets with a cost and accumulated depreciation of $1,858,397 and

$1,723,634, respectively, were written off resulting in a charge to general and administrative expenses of $134,763.

7. Goodwill

	2006	2005
Goodwill	$ 1,916,116	$ 1,912,170
Less accumulated amortization	795,355	793,717
	$ 1,120,761	$ 1,118,453

As detailed in note 3(f), goodwill is no longer amortized, but tested for impairment annually, or more frequently if impairment indicators arise. During 2006 and 2005, the Company conducted annual impairment reviews and determined there was no impairment to the carrying value of goodwill. The change in the goodwill balance in 2006 relates to the translation of the U.S. subsidiary's goodwill balance of US$961,697 into Canadian dollars at a different prevailing year-end exchange rate.

8. Bank indebtedness

Revolving lines of credit have been established at a number of banking institutions bearing interest varying with the bank prime rate or LIBOR. These lines of credit are collateralized primarily by factored receivables and loans to clients. At December 31, 2006, the amounts outstanding under these lines of credit totalled $26,686,667 (2005 - $32,592,796). The Company was in compliance with the loan covenants under these lines of credit as at December 31, 2006.

9. Notes payable

Notes payable are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. The notes are unsecured, due on demand and bear interest at the bank prime rate less one-half of one percent per annum. Notes payable and related interest expense were as follows:

	2006		2005	
	Notes payable	Interest expense	Notes payable	Interest expense
Related parties	$7,705,970	$381,427	$6,321,935	$270,563
Third parties	1,488,794	65,653	975,878	35,725
	$9,194,764	$447,080	$7,297,813	$306,288

10. Capital stock, contributed surplus and stock options

(a) Authorized

The authorized capital stock of the Company consists of an unlimited number of first preferred shares, issuable in series, and an unlimited number of common shares.

The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board of Directors. At December 31, 2006 and 2005, there were no preferred shares outstanding.

(b) Issued and outstanding

The common shares issued and outstanding are as follows:

	Number	Amount
Balance at Jan. 1, 2005	9,875,571	$5,658,757
Issued on exercise of stock options	93,000	327,650
Shares repurchased for cancellation	(38,700)	(22,914)
Transfer from contributed surplus	—	11,845
Balance at Jan. 1, 2006	9,929,871	$5,975,338
Issued on exercise of stock options	86,000	343,900
Shares repurchased for cancellation	(573,100)	(357,598)
Transfer from contributed surplus	—	29,005
Balance at Dec. 31, 2006	9,442,771	$5,990,645

The fair value of those stock options exercised is transferred from contributed surplus to capital stock upon exercise.

(c) Share repurchase program

On August 3, 2005, the Company received approval from the Toronto Stock Exchange ("TSE") to commence a normal course issuer bid (the "2005 Bid") for up to 497,278 of its common shares at prevailing market prices on the TSE. The 2005 Bid commenced August 5, 2005 and terminated on August 4, 2006. Under the 2005 Bid, the Company repurchased and cancelled 291,400 shares at an average price of $7.89 per share for a total consideration of $2,297,821. This amount was applied to reduce

share capital and retained earnings by $177,245 and $2,120,576, respectively.

On August 2, 2006, the Company received approval to commence a new normal course issuer bid (the "2006 Bid") for up to 488,158 of its common shares at prevailing market prices on the TSE. The 2006 Bid commenced August 8, 2006 and is to terminate on the earlier of August 7, 2007 or the date on which a total of 488,158 common shares have been repurchased pursuant to its terms. All shares repurchased pursuant to the 2006 Bid will be cancelled. During the year ended December 31, 2006, the Company repurchased and cancelled 320,400 common shares acquired under the 2006 Bid at an average price of $7.62 per common share for a total consideration of $2,441,874, which was applied to reduce share capital by $203,267 and retained earnings by $2,238,607.

During the year ended December 31, 2006, the Company repurchased and cancelled 573,100 common shares acquired under the 2005 and 2006 Bids at an average price of $7.79 per common share for a total consideration of $4,466,086, which was applied to reduce share capital by $357,598 and retained earnings by $4,108,488. During the year ended December 31, 2005, the Company repurchased and cancelled 38,700 common shares acquired under the 2005 Bid at an average price of $7.07 per common share for a total consideration of $273,609, which was applied to reduced share capital by $22,914 and retained earnings by $250,695.

(d) Contributed surplus

	2006	2005
Contributed surplus at Jan. 1	$219,943	$193,763
Stock-based compensation expense (note 11)	10,458	38,025
Transfer to capital stock (note 10(b))	(29,005)	(11,845)
Contributed surplus at Dec. 31	$201,396	$219,943

(e) Stock option plans

The Company has established an employee stock option plan. Under the terms of the plan, an aggregate of 1,000,000 common shares has been reserved for issue upon the exercise of options granted to key managerial employees of the Company and its subsidiaries. According to the terms of the plan, options may be earned upon the achievement by the Company of certain minimum earnings.

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

Options are granted to purchase common shares at prices not less than the market price of such shares on the grant date.

The Company has issued no options to employees or directors since May 2004 and currently does not plan to do so.

During 2006 there were 86,000 (2005 - 93,000) stock options exercised for cash proceeds of $343,900 (2005 - $327,650), which were credited to capital stock.

The following table is a summary of stock options exercised:

	2006	2005
Outstanding at Jan. 1	368,000	461,000
Exercised	(86,000)	(93,000)
Outstanding at Dec. 31	282,000	368,000
Earned and exercisable at Dec. 31	268,000	297,000

The following stock options remain outstanding at December 31, 2006:

Exercise price	Expiry date	Outstanding	Earned and exercisable
Employee stock option plan:			
$ 4.75	July 3, 2007	45,000	45,000
3.50	July 2, 2008	60,000	60,000
3.85	July 2, 2008	51,000	51,000
3.95	July 2, 2009	70,000	70,000
7.25	July 5, 2010	42,000	28,000
Non-executive directors' stock option plan:			
$ 3.75	March 4, 2008	14,000	14,000
		282,000	268,000
Weighted average exercise price		$ 4.45	$ 4.30

The following stock options were outstanding at December 31, 2005:

Exercise price	Expiry date	Outstanding	Earned and exercisable
Employee stock option plan:			
$ 3.60	April 25, 2006	30,000	30,000
4.75	July 3, 2007	66,000	66,000
3.50	July 2, 2008	60,000	60,000
3.85	July 2, 2008	72,000	72,000
3.95	July 2, 2009	84,000	48,000
7.25	July 5, 2010	42,000	14,000
Non-executive directors' stock option plan:			
$ 3.75	March 4, 2008	14,000	7,000
		368,000	297,000
Weighted average exercise price		$ 4.34	$ 5.23

11. Stock-based compensation

The Company accounts for stock-based compensation, including stock option grants, using a fair value based method. Stock options are granted to employees and non-executive directors at prices not less than the market price of such shares on the grant date. These options vest over a period of three years provided certain earnings criteria are met. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the stock options on the grant date. This fair value is expensed over the award's vesting period.

No stock options were granted by the Company in 2006 and 2005. The stock-based compensation expense recorded in general and administrative expenses for 2006 was $10,458 (2005 - $38,025), with a corresponding increase in contributed surplus. This expense pertains to options granted for which the vesting period of such options includes, in whole or in part, the year ended December 31, 2006.

12. Consolidation of Montreal operations

On September 8, 2005, the Company announced that it was consolidating its Montreal factoring and asset-based lending operations into one office and that there would be staff and facility reductions. General and administrative expenses include $205,936 (2005 - $1,097,735) incurred by the Company in 2006 in respect of this consolidation. The office consolidation process is now complete at a total cost of $1,303,671.

13. Income taxes

The Company's income tax expense comprises:

	2006	2005
Current income tax expense	$ 1,989,059	$ 3,077,800
Future income tax expense (recovery)	1,793,941	(216,800)
Income tax expense	$ 3,783,000	$ 2,861,000

The Company's income tax expense varies from the amount that would be computed using the Canadian statutory income tax rate of 36.1% (2005 - 36.1%) due to the following:

	2006	%
Tax computed at statutory rates	$3,934,900	36.1
(Decrease) increase resulting from:		
Lower effective tax rate on income of subsidiaries	(203,660)	(1.9)
Other	51,760	0.5
Income tax expense	$3,783,000	34.7

	2005	%
Tax computed at statutory rates	$ 2,947,140	36.1
(Decrease) increase resulting from:		
Lower effective tax rate on income of subsidiaries	(172,724)	(2.1)
Other	86,584	1.0
Income tax expense	$ 2,861,000	35.0

The Company has non-capital losses of $1,185,000 available for carry forward, of which $580,000 expire in 2014 and $605,000 in 2015. These non-capital losses were acquired as part of the purchase of i Trade Finance Inc. ("i Trade") (note 14).

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

	2006	2005
Future income tax assets:		
Tax loss carryforwards	$ 380,647	$1,955,600
Allowances for losses	179,473	198,936
Capital assets	63,400	70,000
Other	73,187	31,355
Lease obligations	—	200,100
	696,707	2,455,991
Future income tax liabilities:		
Basis differential on intangible	(102,788)	(73,269)
Other	(9,906)	(4,768)
	(112,694)	(78,037)
Future income taxes, net	$ 584,013	$2,377,954

14. Acquisition of i Trade Finance Inc.

On October 31, 2005, the Company purchased 100% of the outstanding shares of i Trade, a small company specializing in international trade finance, at a cash cost of $1,616,209. As a result of the acquisition, the Company recognized an extraordinary gain of $907,600, which represents the excess of the fair value of assets acquired over the consideration paid. The fair value of assets acquired comprised:

Factored receivables and loans, net	$ 568,209
Future income tax assets	1,955,600
Fair value of assets acquired	2,523,809
Less extraordinary gain	907,600
Consideration paid	$1,616,209

Effective October 31, 2005, i Trade was wound up and its assets transferred to MFC.

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

Basic earnings per common share have been calculated based on the weighted average number of common shares outstanding in the year without the inclusion of dilutive effects. Diluted earnings per common share are calculated based on the weighted average number of common shares plus dilutive common share equivalents outstanding in the year, which, in the Company's case, consist solely of stock options.

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

	2006	2005
Basic weighted average number of common shares outstanding	9,802,730	9,919,457
Effect of dilutive stock options	133,143	177,489
Diluted weighted average number of common shares outstanding	9,935,873	10,096,946

For the year ended December 31, 2006, no options were excluded from the calculation of diluted shares outstanding, while, for the year ended December 31, 2005, 42,000 options were excluded because they were considered to be anti-dilutive for earnings per common share purposes.

Basic earnings per common share comprise:

	2006	2005
Basic earnings per common share before extraordinary gain	$ 0.73	$ 0.54
Extraordinary gain per common share	—	0.09
Basic earnings per common share	$ 0.73	$ 0.63

Diluted earnings per common share comprise:

	2006	2005
Diluted earnings per common share before extraordinary gain	$ 0.72	$ 0.53
Extraordinary gain per common share	—	0.09
Diluted earnings per common share	$ 0.72	$ 0.62

16. Contingent liabilities

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

(b) At December 31, 2006, the Company was contingently liable with respect to unaccepted letters of credit issued on behalf of clients in the amount of $1,840,645 (2005 - $1,218,767). In addition, the Company was contingently liable with respect to letters of guarantee issued on behalf of clients in the amount of $394,483 (2005 - $314,140). These amounts have been considered in determining the allowance for losses on factored receivables and loans.

17. Lease commitments

The Company is committed under operating leases, principally office space leases, which expire between 2007 and 2013. The minimum rentals payable under long-term operating leases, exclusive of certain operating costs and property taxes for which the Company is responsible, over the next five years and thereafter are as follows:

2007	$ 305,197
2008	249,306
2009	243,173
2010	237,041
2011	237,041
Thereafter	666,326
	$1,938,084

18. Financial instruments

As at December 31, 2006, the Company had entered into a forward foreign exchange contract with a financial institution that matures on June 15, 2007 and obliges the Company to sell Canadian dollars and buy US$3,000,000 at an exchange rate of 1.398. The contract was entered into by the Company for the purpose of managing its foreign exchange exposure on a US$3,000,000 loan. The Company recognized a liability of $643,800 in respect of the contract at December 31, 2006 (2005 - $1,519,000 on outstanding contracts of US$7,000,000), which represented the fair value of this derivative financial instrument as at that date. This liability is included in the total of accounts payable and other liabilities at December 31, 2006. There was no gain or loss to the Company as a result of entering into this contract.

In addition, the Company had also entered into forward foreign exchange contracts with a financial institution that mature between January 31, 2007 and March 31, 2007 and oblige the Company to sell Canadian dollars and buy US$475,000 at exchange rates ranging from 1.122 to 1.124. The contracts were entered into by the Company on behalf of one of its clients and it is not exposed to any significant foreign exchange gains or losses on the contracts.

19. Segmented information

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

2006 (in thousands)	Canada	United States	Inter-company	Consolidated
Identifiable assets	$ 60,184	$ 33,963	$ (9,468)	$ 84,679
Revenue	$ 21,966	$ 7,622	$ (724)	$ 28,864
Expenses				
Interest	2,895	220	(724)	2,391
General and administrative	10,129	3,161	—	13,290
Provision for credit and loan losses	1,257	704	—	1,961
Depreciation	268	54	—	322
Income tax expense	2,423	1,360	—	3,783
	16,972	5,499	(724)	21,747
Net earnings	$ 4,994	$ 2,123	$ —	$ 7,117

2005 (in thousands)	Canada	United States	Inter-company	Consolidated
Identifiable assets	$ 62,660	$ 36,437	$ (8,993)	$ 90,104
Revenue	$ 19,816	$ 7,139	$ (725)	$ 26,230
Expenses				
Interest	2,007	382	(626)	1,763
General and administrative	11,829	3,162	(99)	14,892
Provision for (recovery of) credit and loan losses	1,102	(28)	—	1,074
Depreciation	291	47	—	338
Income tax expense	1,466	1,395	—	2,861
	16,695	4,958	(725)	20,928
Earnings before extraordinary gain	3,121	2,181	—	5,302
Extraordinary gain	908	—	—	908
Net earnings	$ 4,029	$ 2,181	$ —	$ 6,210

Corporate Information

Board of Directors

Ken Hitzig, Toronto, Ontario
Austin C. Beutel, Toronto, Ontario [1, 2]
John D. Lamont, Oakville, Ontario [1, 2]
Robert J. Beutel, Toronto, Ontario
H. Thomas Beck, Toronto, Ontario [2]
Ben Evans, Stamford, Connecticut [1]
Frank D. White, Mount Royal, Quebec [1]
Jeremy R. Hitzig, New York, New York

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

Officers

Ken Hitzig, President
Gerald S. Levinson, Vice-President
Fred Moss, Vice-President
Mark Perna, Vice-President
Jim Bates, Secretary
Robert J. Beutel, Assistant Secretary
Stuart Adair, Chief Financial Officer

Subsidiaries

Accord Business Credit Inc.
Mark Perna, President

Montcap Financial Corp.
Fred Moss, President

Accord Financial, Inc.
Tom Henderson, President

Auditors

KPMG LLP

Legal Counsel

Stikeman Elliott

Bankers

Bank of America
The Bank of Nova Scotia
The Toronto-Dominion Bank
Canadian Imperial Bank of Commerce

Stock Exchange Listing

Toronto Stock Exchange
Symbol ACD

Registrar & Transfer Agent

Computershare Trust Company of Canada

Annual Meeting

The Annual Meeting of Shareholders will be held Wednesday, May 2nd, 2007 at 4:15 pm at The Toronto Board of Trade, First Canadian Place, Toronto, Ontario

Keeping Business Liquid

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