Annual Report 2015

Distinctive Dependable Driven

Accord Financial

Keeping Business Liquid

DISTINCTIVE DEPENDABLE DRIVEN

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

Our versatile finance programs cover the full spectrum of asset-based lending, from factoring and inventory finance, to equipment leasing and trade finance, as well as providing small businesses with unsecured working capital loans. While our programs are fashioned to the needs of each client, our goal remains the same: to allow our clients to transform their accounts receivable, inventory and equipment into valuable working capital, which fuels their next phase of growth.

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

TABLE OF CONTENTS

Inside front cover A Brief History of Accord
Inside front cover Complete Spectrum of Financing Solutions
1 Three Year Financial Highlight Summary
2 Letter To Our Shareholders
4 Management's Roundtable Discussion
8 Management's Discussion and Analysis
25 Accord's Key Credit Benchmarks
26 Ten Year Financial Summary 2006-2015
27 Management's Report to the Shareholders
27 Independent Auditors' Report to the Shareholders
28 Consolidated Statements of Financial Position
29 Consolidated Statements of Earnings
29 Consolidated Statements of Comprehensive Income
29 Consolidated Statements of Changes in Equity
30 Consolidated Statements of Cash Flows
31 Notes to Consolidated Financial Statements
Inside back cover Corporate Information

Accord in Action
Keeping Business Liquid

"Groupe JS International has been in business for more than 40 years. Over the last year and a half we have been financed by Accord Financial, and through the toughest times, Accord has shown the understanding, patience and support that separates them from their competitors. We are forever grateful to the team of professionals at Accord for their support and their understanding of the fashion business. And beyond their attention to financial detail, is their ability to take a personal stake in the day-to-day intricacies of our business. I would describe Accord Financial as being in the Relationship Business more than just the Banking Business."

~ **Mitchell Hops,** President
Groupe JS International
Apparel Manufacturer

"From the onset, our relationship with Accord Financial and its team of professionals has been nothing but the best. Accord was there for us, at a time when we were in need of a solid and robust source of debt capital. Today, and almost three years later, we continue to enjoy the same level of service that Accord and its team has always and consistently been able to deliver to us."

~ **Mayco Quiroz**, Chief Financial Officer
IOU Financial Inc.
Small Business Loan Provider

"Javo Beverage is a long-term client of Accord Financial and in the last 18 months we have experienced significant new business growth. In a true partnership fashion, they have been at our side throughout, responding quickly and creatively to assist us in funding the needs of our growing business. Everyone at Accord is professional, true to their word, and very importantly you can tell they care about our business and its success. They are great people to work with."

~ **Gerry Anderson**, Chief Financial Officer
Javo Beverage Company

"TAG Financial Services needed a strong senior lender that would give us the opportunity to grow our business. Since closing a line of credit with Accord Financial they have been very flexible and understanding of our needs on a daily basis. They are a true partner helping us reach our short- and long-term growth goals."

~ **Wayne S Daniel**, President
TAG Financial Services Inc.

"For nearly ten years B-Town Group has sourced and delivered quality natural stone to customers on both sides of the Great Lakes. Accord began financing select pieces of equipment in 2010, but it's the broad range of financing options that have made Accord my go-to company for all our financing needs. We added an AccordOctet supply-chain facility last year to pay royalties as we expanded our sourcing to a fourth quarry. And we recently took advantage of AccordAccess for short-term working capital, which helped us finance a large, profitable order from a provincial government entity. With Accord Financial as our partner, our sales have tripled in the last three years."

~ **Bill Sisson**, Owner
B-Town Group

A Brief History of Accord

1978 – 1983

- Accord commences operations in 1978 in Toronto and Montreal after raising $2 million in starting capital.
- The first full year of operations (1979) sees factoring volume reach $92 million.
- A rights issue in 1980 brings more capital into the Company to finance growth.
- In 1982 Accord earns $477,000. It would be the first of 34 consecutive years of profitability.

1984 – 1988

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

1989 – 1993

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

1994 – 1998

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

1999 – 2003

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

2004 – 2008

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

2009 – 2013

- Accord sets record highs in 2010 in revenue ($31.4 million), net earnings ($8.2 million) and earnings per share (88 cents).
- In 2013 Accord marks its 35th year in business. The Company's dividend payout reaches 32 cents per share per annum.

2014 – 2015

- Completed the strategic acquisition of Varion Capital Corp., a Canadian lease finance company on January 31, 2014.
- 2014 was a record-breaking year, with factoring volume of $2.2 billion, average funds employed of $143 million and adjusted earnings per share of 98 cents.
- In 2014, the dividend payout increased to 33 cents per share per annum.
- 2015 surpasses 2014 with another record-breaking year. Average funds employed rise to $149 million. Revenue reaches $31.6 million. Adjusted earnings per share rise to an all-time high $1.12. Equity tops $73 million.
- The Company's dividend payout rises to 35 cents in 2015, the 28th year of continuous dividends to shareholders.
- In 2015, AccordAccess, our unsecured working capital loan solution is introduced.

Complete Spectrum of Financing Solutions

Asset-based lending

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

Credit protection & receivables management

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

Lease financing

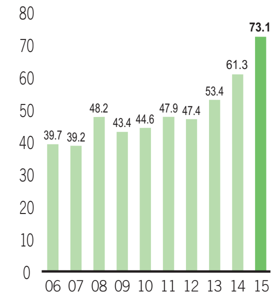
Accord finances equipment for small- and medium-sized business, serving a broad base of Canada's most dynamic industries, from forestry and energy, to construction and manufacturing. Our success has been built on our commitment to supporting SMEs directly and on our strong relationships with regional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

Small business finance

AccordAccess is a flexible working capital solution aimed at financing growth for qualified small- and medium-sized businesses. AccordAccess provides unsecured loans of up to $75,000, repaid in 18 months or sooner with simple, fixed weekly payments. This innovative program is designed to help small businesses take advantage of growth opportunities or manage through challenging times. AccordAccess is an ideal supplement to the owners' equity investment and to long-term financing, like leasing and bank credit.

International trade financing

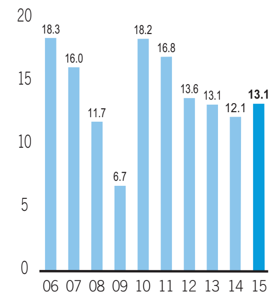
Since 1978, Accord has been a leader in cross-border trade, simplifying supply chain finance for importers and exporters. Our unique AccordOctet program provides trade financing for North American companies sourcing goods anywhere in the world, while our alliance with Factors Chain International facilitates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



Equity

(in millions of dollars)

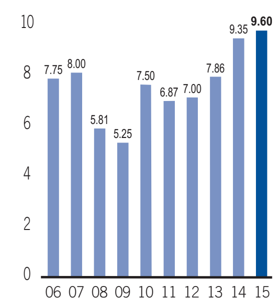
Equity increased to a record $73.1 million at December 31, 2015. Book value per share of $8.79 was also a record high.



Return on Average Equity

(as a percent per annum of average equity)

Return on average equity ("ROE") was a reasonable 13.1% in 2015. Adjusted ROE was 13.8% (2014 – 14.3%).



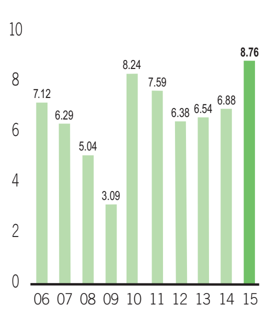
Share Price

(at close on December 31)

Accord's share price closed 2015 at $9.60, up 3% from $9.35 last year-end.

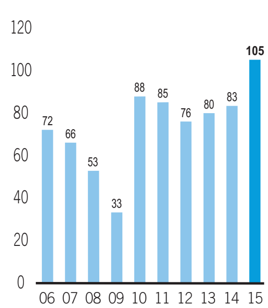
Three Year Financial Highlight Summary

	2015	2014	2013
Operating Data Years ended December 31 (in thousands of dollars except where indicated)			
Revenue	**$ 31,577**	$ 30,235	$ 26,074
Net earnings	**8,759**	6,879	6,538
Adjusted net earnings	**9,281**	8,113	6,783
Return on average equity	**13.1%**	12.1%	13.1%
Adjusted return on average equity	**13.8%**	14.3%	13.6%
Financial Position Data At December 31 (in thousands of dollars)			
Average funds employed (during the year)	**$ 149,368**	$ 142,706	$ 110,884
Total assets	**154,560**	154,624	120,809
Equity	**73,066**	61,332	53,430
Common Share Data (per common share)			
Earnings per share - basic and diluted	**$ 1.05**	$ 0.83	$ 0.80
Adjusted earnings per share - basic and diluted	**1.12**	0.98	0.83
Dividends paid	**0.35**	0.33	0.32
Share price - high	**12.05**	10.75	9.25
- low	**9.00**	7.85	6.84
- close at December 31	**9.60**	9.35	7.86
Book value at December 31	**8.79**	7.38	6.50



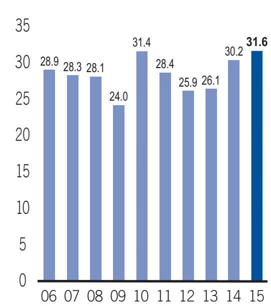
Net Earnings
(in millions of dollars)

Net earnings were a record $8.76 million in 2015, 27% above the $6.88 million earned in 2014. Adjusted net earnings rose 14% to a record $9.28 million in 2015.



Diluted Earnings per Share
(in cents)

Diluted earnings per share were a record 105 cents in 2015, 27% higher than the 83 cents earned in 2014. Adjusted EPS rose 14% to a record 112 cents in 2015.



Revenue
(in millions of dollars)

Revenue was a record $31.6 million in 2015, 4% higher than last year's $30.2 million.

Letter to Our Shareholders

Considering the difficult competitive climate we experienced last year we are very pleased with our results. We managed to add enough new business to offset the runoff, continued to keep our portfolio sound and charge-offs low, while our effective interest rates remained steady.

This year will likely be quite different from last year.

We will have more new business opportunities to analyze as competition is expected to lessen, but we will face the challenge of maintaining portfolio quality in the face of a deteriorating global economy.

Here are some of the operating highlights for Accord in 2015:

- Average funds employed were up 4% to $149 million from $143 million in 2014.
- Total revenue was $31.6 million versus the prior year's $30.2 million.
- Pre-tax earnings were $10.7 million in 2015 compared with $10.2 million in 2014.
- Net earnings were $8.8 million in the current year versus $6.9 million in 2014. This was an increase of 27% primarily due to a lower income tax expense and a stronger U.S. dollar.
- Adjusted net earnings rose to $9.3 million in 2015 from $8.1 million in 2014, up 14%.
- Earnings per share rose to $1.05 up from 83 cents in 2014.
- Adjusted earnings per share climbed to $1.12 from 98 cents last year.
- Equity was $73 million at year-end, up 19% from the previous year. Book value was $8.79 per share at Dec. 31, 2015.

All of the above results were record highs for Accord.

- At Dec. 31, 2015 almost half of our assets were in the U.S. versus 41% last year-end.
- Net earnings from the Company's U.S. operations were $5.1 million, accounting for 58% of our total earnings, and $3.6 million earned in Canada. Net earnings in the U.S. operations were up 38% from 2014; Canada rose 15%.
- General and administrative expenses climbed 8% year-over-year as both U.S. and Canada began a build-up of personnel to handle new products introduced during 2014 and 2015. Our expenses were also impacted by the rise of the U.S. dollar.
- Underwriting, which was very good in 2014 resulting in credit and loan losses of 2.1% of revenue, improved even further, falling to only 1.2% in 2015.
- EBITDA (earnings before interest, taxes, depreciation and amortization) rose to $13.7 million from $13.3 million the previous year.

Once again, the stronger U.S. dollar had a positive impact on Accord. The greenback closed the year at $1.38 per loonie versus $1.16 at the end of 2014. As mentioned above, almost half of our assets and over half of our net earnings are in U.S. dollars and the big rise in U.S. dollar against the Canadian dollar (+19%) resulted in a corresponding increase in the valuation of these items in our financial statements. Our book value per share at December 31, 2015 was at a record $8.79 per share, an increase of 19% from the value a year earlier of $7.38. The closing price for Accord's shares on the Toronto Stock Exchange at December 31, 2015 was $9.60, 25 cents higher than the previous year-end. The Company paid 35 cents in dividends in 2015 thus producing a total return for our shareholders of 6.4%. This was nowhere near the 23% return for 2014, but much better than many,

Ken Hitzig

Tom Henderson

and possibly most companies listed on the exchange that experienced negative returns. At this writing, Accord is trading at only a small premium over book value.

Shareholders' equity at December 31, 2015 was $73 million, up from $61 million a year earlier. Understandably, a significant portion of the increase was the result of the rising U.S. dollar. Accord's financial statements are expressed in Canadian dollars and the translation of a buoyant U.S. dollar helped our revenue and net earnings figures, as well as our net assets. The Company's quarterly dividend was raised to 9 cents per share commencing with the September 2015 payment.

We live in a very busy and increasingly interconnected world. Major problems, be they economic or political, originating in any part of the world can affect every other place on the planet. Today the global business community sees numerous problems that may impact them in some way either positively or negatively or unknown. This creates uncertainty and leads to a reluctance to commit to longer term business strategies. It also creates fear as witnessed in the recent global selloff of equities. Fear is usually an opportunity for your Company, as bank lenders react by exhibiting heightened timidity. It is also likely to create a good deal of pause and soul searching by the operators of capital market funds that saw our industry as an attractive place to park huge amounts of their capital inflows.

The Accord brand is increasing in visibility and attractiveness to Canadian and U.S. referral sources and prospects. We continue to promote the brand so we will be seen as a strong and trusted provider of working capital and equipment financing for businesses with revenue of as little as $250,000 per year to those with revenue of $100 million or more. Varion Capital, the leasing company we acquired in the first quarter of 2014, has been progressing steadily and is now known as Accord Equipment Finance to more accurately portray its model as a provider of funding for companies needing medium-term funds secured by equipment or rolling stock. Although the company is based in Vancouver, its service is available throughout Canada. They have recently introduced a new financing service to provide short-term working capital loans to small businesses. Collateral is not required, applications are processed and, if approved, funds are made available in a few days. This new service has been named AccordAccess and it already appears to be off to a very good start.

The Company's four business units are all moving into markets either geographically or industry affiliated that are new to Accord. A major revamping of our website is underway with plans for unveiling in the second quarter.

We strengthened our Board of Directors by appointing Gary Prager to the Board last May. Gary brings decades of experience in the finance industry to the table and his guidance has been very helpful.

Your management team is energetic, forward thinking and optimistic about the opportunities to increase the value of your Company. Please consider attending our Annual General Meeting of Shareholders so you can meet them and the very attentive and experienced members of our Board of Directors. The meeting will be held May 4 at 4:15pm at the Toronto Board of Trade, 77 Adelaide Street West, Toronto. We look forward to welcoming you there.

Ken Hitzig
Chairman of the Board

Tom Henderson
President & Chief
Executive Officer

Toronto, Ontario
February 17, 2016

Distinctive Dependable Driven
Management's Roundtable Discussion

Excerpts from a recent management meeting in preparation for the Annual Report. Present were: ***Ken Hitzig****, Chairman of the Board of Directors;* ***Tom Henderson****, President and Chief Executive Officer of Accord Financial Corp. and head of asset-based lending (ABL) for the U.S.A.;* ***Simon Hitzig****, Head of Accord's receivables management unit;* ***Fred Moss****, Head of ABL for Canada;* ***James Jang****, President of Accord Equipment Finance; and* ***Stuart Adair****, Senior Vice President, Chief Financial Officer.*

Ken Hitzig acted as moderator.

Ken:
Our receivables management unit is headed up by Simon, so we'll start there. My first question is why isn't your unit called "factoring"? Isn't that what you do?

Simon:
It was called factoring for most of the years we were in business. But it wasn't descriptive enough – most people no longer know what factoring is, or what a factor does. So we decided to more accurately describe what we do.

Ken:
Was 2015 a good year for you?

Simon:
Our domestic volume was down a bit, but our international volume was up 15% over 2014. Our total volume was up about 4% at a shade under $500 million. Our international volume now accounts for over half the total.

Ken:
Tell us about your operating results.

Simon:
Our revenue climbed about 6% from the prior year and our expenses were down a bit as a result of a big improvement in credit and loan losses. Consequently, our bottom line almost doubled.

Ken:
Our Canadian asset-based lending is headed up by Fred. How was 2015?

Fred:
The year marked the 25th corporate anniversary of our unit. Our operating results were good, but we couldn't quite match the record results of 2014. Our revenue declined about 5%, while our expenses were about the same as 2014. We took some comfort in knowing that it was the second best year ever.

Ken:
Last year we discussed the rediscounting aspect of your business. To refresh our readers, this involves Accord financing other lending companies so that they can better leverage their assets and grow their business. Is this activity still important to you?

Fred:
More than ever. We lost a significant client at the end of the third quarter. It didn't come as a surprise as they advised us several times in the last two years that they were looking to leave after 16 years of being a client. It finally happened and we wished them luck. They had

Ken Hitzig | Tom Henderson | Stuart Adair | Fred Moss | James Jang | Simon Hitzig

been a client for many years. Now our task is to replace that lost business.

Ken:
How is that going so far?

Fred:
It will take time but we'll get there.

Ken:
Do you have a significant client turnover?

Fred:
No, not really. However, client turnover is a fact of life in this business. No matter how much we bend to a client's desire to have maximum availability at minimum cost, many of them will never be fully satisfied. A few will inevitably leave for a "better deal", some clients' businesses will fail, but most will stay with us, often for many years. The better deal in most cases involves the client moving to a Schedule A bank. We get great satisfaction when they leave, when they have been very successful in their business and they no longer need our facility.

Ken:
Tom, in addition to your role as C.E.O. of Accord Financial Corp., you also head up our U.S. ABL operations. Tell us how 2015 unfolded.

Tom:
In U.S. dollars, our top line was down slightly from 2014 and our expenses were up a bit. But with a favorable break on income tax our bottom line was up almost 20%. With the rise in the U.S.–Canadian dollar exchange rate we had a further lift, taking our final net earnings to $5.1 million. This represented an increase of 38% over the previous year.

Ken:
I noted in last year's roundtable discussion that your underwriting was very good for the fourth consecutive year. Was 2015 a continuation of this performance?

Tom:
I'm pleased to say it was. We had no charge-offs at all. That makes five years in a row.

Ken:
Our equipment financing unit is headed up by James. How did that go in 2015?

James:
Our top line grew by 35%. On a cash basis, we recorded a very profitable year, our best ever. And this, in spite of the fact that we incurred significant expenses to launch our new financial products. We started a new product called AccordAccess and we had to set up a reserve for charge-offs from scratch, so that took a bite out of our results. Fundamentally AEF invested in the future. We are fortunate to have a very skilled team running our equipment finance business, as well as AccordAccess.

Ken:
Tell us about AccordAccess.

James:
AccordAccess provides short-term working capital loans,

usually for up to twelve months, to small businesses. Applications are processed quickly and approved loans are made within days. Collateral is not required and repayments are made weekly. This program, which piloted in western Canada, is being rolled out in the rest of the country in 2016.

Ken:
Accord's senior management meets annually for Shareholders' Value Council sessions, usually in October or November. Tom, you explained the purpose of these sessions last year. I think it would be beneficial for our shareholders to hear what it's all about, as some may not have read last year's Annual Report. Tom?

Tom:
These sessions are designed to develop medium- and long-term strategy for Accord. We look farther down the road and basically address issues like: what businesses do we want to be in; what industries can we serve that we do not serve now; what can we do to broaden our brand; and so on. The focus is on enhancing shareholder value. We have now increased the frequency of these sessions to quarterly and we hold a monthly teleconference as well.

Ken:
Accord has been reporting its earnings consistent with International Financial Reporting Standards. We also report "Adjusted Net Earnings" and "Adjusted Earnings per Share" (Adjusted EPS). Stuart, you explained this last year, but repeating it again might be a good idea.

Stuart:
Adjusted net earnings are net earnings before stock-based compensation, business acquisition expenses (mainly amortization of intangibles) and, in 2014, withholding tax paid on dividends received from the Company's U.S. subsidiary.

Ken:
What was our bottom line in 2015?

Stuart:
Adjusted net earnings rose 14% to $9.3 million, while Adjusted EPS increased to $1.12 from 98 cents in 2014. Both were records.

Ken:
It's time for us to look forward now, and see what we're planning for 2016. We'll start with Simon and James.

Simon:
For the first time in years, we actually grew our receivables management business albeit modestly in 2015. We're looking to capitalize on our momentum and grow the business further. As you know, we also have a financing program for importers called AccordOctet. This program gained a modest amount of traction in 2015 and we are planning on a bigger push in 2016.

James:
We are very enthusiastic about Accord Equipment Finance which we hope will be expanding at a more rapid rate, especially in central Canada. AccordAccess holds great promise for 2016 as we roll out the program beyond western Canada.

Ken:
Fred, what's the outlook for our ABL business in Canada?

Fred:
Right now the Canadian economy is not doing too well; the energy industry has been hit hard due to the oversupply in world markets and the depressed prices for oil and gas. The overall economy has shown anemic growth in 2015 and the pundits do not predict any significant improvement for 2016. We will be redoubling our efforts to attract new clients, and we will be vigilant

with our underwriting, which has been stellar for the past four years.

Ken:
Sounds like you have your work cut out for you. I'd like to turn to our U.S. operations. Tom, what do you see ahead for 2016?

Tom:
There are signs that the banks are tightening their lending criteria and even some of our competitors are doing the same thing. This trend will play right into our hands as Accord is perfectly situated to take on new business. We have experienced personnel and abundant financial resources at our disposal. Our marketing program is being intensified.

Ken:
What about new products?

Tom:
We're taking a cue from our Canadian associates and are considering rediscounting, which has been very profitable for Fred's business. In fact, we already have clients in auto finance and we're looking at others. We're in retail inventory lending, and expect to expand in that area as well. Currently we're researching the small business loan market. This is the business we were in 23 years ago when Accord acquired J.T.A. Factoring. It was quite profitable then, and we suspect that market segment is still very profitable.

Ken:
Why did Accord exit the business?

Tom:
After Accord acquired the company, management was changed and credit standards began to deteriorate. I was brought in later to clean things up. I believed our model was broken and decided to change direction. We ran down the small business portfolio and built up our current model which focuses on much larger clients. The change ultimately worked out well.

Ken:
Stuart, do we have the financial resources to carry out all these plans?

Stuart:
We certainly do. We had shareholders' equity of $73 million at year-end, and notes payable of $13 million. This underpinned our bank borrowings which were $42 million, net of cash on hand. The ratio of debt-to-equity was less than one to one, almost unheard-of in the finance industry. Most finance companies have debt-to-equity ratios of three to one and higher, sometimes much higher. Accord has lines of credit totalling $137 million. We have a long way to go before exhausting our financial resources.

Ken:
Our investors now have a better understanding of where Accord is and where it's going. Thank you, gentlemen, and good luck in 2016.

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

Year ended December 31, 2015 compared with year ended December 31, 2014

Overview

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the year ended December 31, 2015 compared with the year ended December 31, 2014 and, where presented, the year ended December 31, 2013. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A, which has been prepared as at February 17, 2016, should be read in conjunction with the Company's 2015 audited consolidated financial statements (the "Statements") and notes thereto, the Ten Year Financial Summary (see page 26) and the Letter to Our Shareholders (see page 2), all of which form part of this 2015 Annual Report.

All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Please refer to the Critical Accounting Policies and Estimates section below and note 2 and 3 to the Statements regarding the Company's use of accounting estimates in the preparation of its financial statements in accordance with IFRS. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

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

Non-IFRS Financial Measures

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

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

ii) Adjusted net earnings, adjusted earnings per common share and adjusted ROE – adjusted net

Stuart Adair

earnings presents net earnings before stock-based compensation, business acquisition expenses (namely, business transaction and integration costs and amortization of intangibles) and withholding tax paid on cross-border dividends from the Company's U.S. subsidiary to it. The Company considers these three items to be non-operating expenses. Management believes adjusted net earnings is a more appropriate measure of operating performance than net earnings as it excludes items which do not relate to ongoing operating activities. Adjusted (basic or diluted) earnings per common share is adjusted net earnings divided by the (basic or diluted) weighted average number of common shares outstanding in the year, while adjusted ROE is adjusted net earnings for the year expressed as a percentage of the average equity employed in the year;

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

iv) Average funds employed – funds employed is another name that the Company uses for its finance receivables and loans (also referred to as "Loans" in this MD&A), an IFRS measure. Average funds employed are the average finance receivables and loans calculated over a particular period;

v) Profitability, yield and efficiency ratios – Table 1 on page 12 presents certain profitability measures. In addition to ROE and adjusted ROE, the return on average assets is also presented. This is the Company's net earnings expressed as a percentage of average assets. Also presented is net revenue (revenue minus interest expense) expressed as a percentage of average assets, and general and administrative expenses ("G&A") expressed as a percentage of average assets. These ratios are presented over a three year period, which enables readers to see at a glance trends in the Company's profitability, yield and operating efficiency;

vi) Financial condition and leverage ratios – Table 2 on page 15 presents the following percentages: (i) tangible equity (equity less goodwill, intangible assets and deferred taxes) expressed as a percentage of total assets; (ii) equity expressed as a percentage of total assets; and (iii) debt (bank indebtedness and notes payable) expressed as a percentage of equity. These percentages, presented over the last three years, provide information on trends in the Company's financial condition and leverage; and

vii) Credit quality – Table 3 on page 17 presents information on the quality of the Company's total portfolio, namely, its finance receivables and loans and managed receivables. It presents the Company's year-end allowances for losses as a percentage of its total portfolio and its annual net charge-offs. It also presents net charge-offs as a percentage of revenue. The percentage of managed receivables past due more than 60 days is also presented in Table 3.

Results of Operations

Years ended December 31 (in thousands unless otherwise stated)	2015 Actual	2015 % of Revenue	2014 Actual	2014 % of Revenue	% change from 2014 to 2015
Average funds employed (millions)	$ 149		$ 143		4%
Revenue					
Interest and other income	$ 31,577	100.0%	$ 30,235	100.0%	4%
Expenses					
Interest	2,258	7.1%	2,523	8.3%	-11%
General and administrative	17,484	55.4%	16,154	53.5%	8%
Provision for credit and loan losses	375	1.2%	639	2.1%	-41%
Impairment of assets held for sale	50	0.2%	—	—	n/m
Depreciation	136	0.4%	125	0.4%	9%
Business acquisition expenses					
Amortization of intangibles	575	1.8%	451	1.5%	28%
Transaction and integration costs	—	—	119	0.4%	-100%
	20,878	66.1%	20,011	66.2%	4%
Earnings before income tax expense	10,699	33.9%	10,224	33.8%	5%
Income tax expense	1,940	6.1%	3,345	11.1%	-42%
Net earnings	$ 8,759	27.8%	$ 6,879	22.7%	27%
Adjusted net earnings	$ 9,281	29.4%	$ 8,113	26.8%	14%
Earnings per common share*	$ 1.05		$ 0.83		27%
Adjusted earnings per common share*	$ 1.12		$ 0.98		14%

** basic and diluted n/m – not meaningful*

Accord's Business

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

The Company founded in 1978 operates four finance companies in North America, namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Varion Capital Corp. ("Varion") (now doing business as Accord Equipment Finance ("AEF")) in Canada, and Accord Financial, Inc. ("AFIU") in the United States.

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

Selected Annual Information

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

	2015	2014	2013
Revenue	$ 31,577	$ 30,235	$ 26,074
Net earnings	8,759	6,879	6,538
Basic and diluted earnings per share	1.05	0.83	0.80
Dividends per share	0.35	0.33	0.32
Total assets	$154,560	$154,624	$120,809

Results of Operations

Year ended December 31, 2015 compared with year ended December 31, 2014

Net earnings in 2015 increased by $1,880,000 or 27% to a record $8,759,000 compared to the $6,879,000 earned in 2014 and were $2,221,000 or 34% above the $6,538,000 earned in 2013. Net earnings compared to 2014 and 2013 mainly rose on higher revenue and a lower income tax expense. Reduced stock-based compensation, decreased interest expense and a lower provision for losses also contributed to higher net earnings compared to 2014. The stronger U.S. dollar during 2015 helped increase the Canadian dollar equivalent of net earnings from our U.S. operations by $735,000.

Earnings per common share ("EPS"), both basic and diluted, increased by 27% to a record 105 cents compared to 83 cents last year and were 31% higher than the 80 cents earned in 2013. The Company's ROE increased to 13.1% in 2015 compared to 12.1% last year and was the same as 2013.

Adjusted net earnings in 2015 were a record $9,281,000, 14% higher than last year's $8,113,000 and 37% higher than 2013's $6,783,000. Adjusted EPS were a record 112 cents in 2015, 14% above the 98 cents earned in 2014 and 35% above the 83 cents earned in 2013. Adjusted ROE was 13.8% in 2015 compared to 14.3% in 2014 and 13.6% in 2013. The following table provides a reconciliation of net earnings to adjusted net earnings:

Years ended Dec. 31 (in thousands)	**2015**	2014	2013
Net earnings	**$ 8,759**	$ 6,879	$ 6,538
Adjustments, net of tax			
Stock-based compensation expense	**99**	256	245
Business acquisition expenses	**423**	419	—
Withholding tax expense	**—**	559	—
Adjusted net earnings	**$ 9,281**	$ 8,113	$ 6,783

Revenue rose by $1,342,000 or 4% to a record $31,577,000 in 2015 compared to $30,235,000 in 2014 and was $5,503,000 or 21% higher than the $26,074,000 in 2013. Average funds employed in 2015 also increased by 4% to $149 million compared to $143 million last year mainly as a result of the stronger U.S. dollar this year. The stronger U.S. dollar also helped increase the Canadian dollar equivalent of our U.S. operations revenue by $1,478,000. 2014's revenue included a gain of $416,000 on the sale of certain assets held for sale, while there was a loss of $11,000 on the sale of certain assets held for sale in 2015.

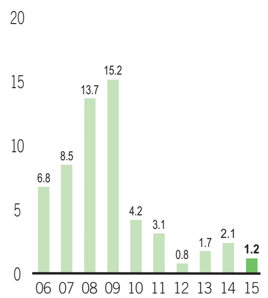
Interest expense declined by 11% to $2,258,000 in 2015 from $2,523,000 last year as average borrowings and Canadian interest rates declined.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, management fees, professional fees, data processing, travel, telephone and general overheads. G&A increased by 8% or $1,330,000 to $17,484,000 in 2015 compared to $16,154,000 last year mainly as a result of higher personnel costs and a stronger U.S. dollar, which caused the Canadian dollar equivalent of our U.S. operations G&A to rise by $634,000 compared to 2014. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses declined by 41% to $375,000 compared to $639,000 last year. The provision comprised:

Years ended Dec. 31 (in thousands)	**2015**	2014
Net charge-offs	**$ 586**	$ 471
Reserves (recovery) expense related to change in total allowances for losses	**(211)**	168
	$ 375	$ 639

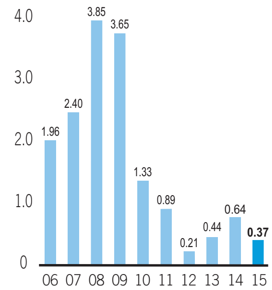
The provision for credit and loan losses as a percentage of revenue declined to 1.2% in 2015 from 2.1% in 2014. Net charge-offs in 2015 increased by $115,000 or 24% to



Provision for Credit and Loan Losses

(as a percentage of revenue)

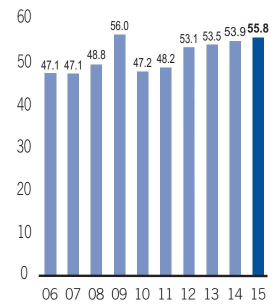
The provision declined to 1.2% of revenue in 2015 from 2.1% last year. It was the second lowest in the last ten years.



Provision for Credit and Loan Losses

(in millions)

The provision was a very acceptable $0.37 million in 2015. It was the second lowest in the last ten years.



Operating Expenses

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

Operating expenses rose to 55.8% of revenue in 2015 from 53.9% last year.

$586,000 compared to the prior year, while the non-cash reserves expense decreased by $379,000 to a recovery of $211,000. The Company's allowances for losses are discussed in detail below. The Company was pleased with the low level of net charge offs in 2015; on record business activity net charge-offs were the fourth lowest in the last twenty years. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies.

An impairment charge of $50,000 (2014 – nil) was taken during 2015 against certain assets held for sale as revised valuations thereof determined that their estimated net realizable value had declined below book value (see note 6 to the Statements).

Business acquisition expenses in 2015 solely comprised the amortization of intangibles acquired as part of the Varion acquisition on January 31, 2014. These totalled $575,000 (2014 – $570,000; amortization of intangibles – $451,000; transaction and integration costs – $119,000).

Income tax expense declined by $1,405,000 or 42% to $1,940,000 compared to $3,345,000 in 2014 despite a 5% rise in pre-tax earnings as the Company's effective income tax rate declined, while there was also no withholding tax expense in 2015. The Company's effective income tax rate decreased to 18.1% compared to 32.7% last year. In 2014, a withholding tax expense of $559,000 was incurred by the Company on a dividend of $11,170,000 received from its U.S. subsidiary, AFIU. Excluding the withholding tax expense, the Company's effective income tax rate for 2014 was 27.3%.

Table 1 – Profitability, Yield and Efficiency Ratios

(as a percentage)	**2015**	2014	2013
Return on average assets	**5.2**	4.3	5.5
Return on average equity	**13.1**	12.1	13.1
Adjusted return on average equity	**13.8**	14.3	13.6
Net revenue/average assets	**17.6**	17.5	20.3
Operating expenses/ average assets	**10.9**	10.6	11.7

Table 1 highlights the Company's profitability in terms of returns on its average assets and equity. In 2015, return on average assets, ROE and adjusted ROE, expressed in percentages, were 5.2%, 13.1% and 13.8%, respectively.

Net revenue as a percentage of average assets was 17.6% compared to 17.5% in 2014. The ratio of G&A to average assets increased to 10.9% in 2015 compared with 10.6% last year.

Canadian operations reported a 15% rise in net earnings in 2015 compared to 2014 (see note 22 to the Statements) mainly as a result of a lower income tax expense due to the absence of the withholding tax expense this year. Net earnings increased by $462,000 to $3,629,000 compared to $3,167,000 last year. Revenue increased by $38,000 to $20,738,000. Expenses rose by $204,000 to $15,748,000. G&A was $483,000 higher at $12,388,000. A $50,000 (2014 – nil) impairment charge against assets held for sale was incurred, while business acquisition expenses and depreciation were $5,000 and $6,000, higher, respectively. Interest expense declined by $92,000 to $2,217,000, while the provision for losses was $249,000 lower at $423,000. Income tax expense declined by $628,000 to $1,361,000 on the absence of the $559,000 withholding tax expense and a 3% decline in pre-tax earnings.

U.S. operations reported a 38% increase in net earnings compared to 2014 (see note 22 to the Statements). Net earnings increased by $1,418,000 to $5,130,000 compared to $3,712,000 last year. Revenue increased by $1,319,000 or 14% to $10,875,000. Expenses rose by $678,000 or 15% to $5,166,000. G&A increased by $848,000 to $5,096,000, while depreciation was $4,000 higher. Interest expense declined by $158,000 to $77,000, while the provision for losses declined by $16,000 to a recovery of $49,000; AFIU had no charge-offs again in 2015 and has not had a charge-off since 2010. Income tax expense decreased by $777,000 to $579,000. The Canadian dollar equivalent of U.S. operating results was favorably impacted by the stronger U.S. dollar in 2015; the average U.S. – Canadian dollar exchange rate rose by 16% in 2015 compared to 2014. In U.S. dollars, net earnings were 19% higher at US$3,984,000 compared to 2014.

Fourth Quarter 2015: *Quarter ended December 31, 2015 compared with quarter ended December 31, 2014*

Net earnings for the quarter ended December 31, 2015 increased by $424,000 or 18% to $2,794,000 compared with $2,370,000 last year. Net earnings rose mainly on a lower income tax expense. The stronger U.S. dollar in the fourth quarter of 2015 compared to last year helped increase the Canadian dollar equivalent of net earnings from our U.S. operations by $240,000. EPS rose by 17% to 34 cents compared to 29 cents last year.

Adjusted net earnings for the fourth quarter of 2015 totalled $2,980,000, just below last year's $3,022,000. Adjusted EPS were unchanged at 36 cents. 2014's net earnings were favorably impacted by a $237,000 gain, net of tax, on the sale of certain assets held for sale. The following table provides a reconciliation of net earnings to adjusted net earnings:

Quarters ended Dec. 31 (in thousands)	**2015**	2014
Net earnings	**$ 2,794**	$ 2,370
Adjustments, net of tax		
Stock-based compensation expense	**81**	25
Business acquisition expenses	**105**	68
Withholding tax expense	**—**	559
Adjusted net earnings	**$ 2,980**	$ 3,022

Revenue declined by $85,000 or 1% to $7,840,000 in the fourth quarter compared with $7,925,000 last year. Revenue in the fourth quarter of 2014 included a gain of $416,000 on the sale of certain assets held for sale, while it included a loss of $11,000 on the sale of certain assets held for sale this year. The stronger U.S. dollar compared to the fourth quarter of 2014 helped increase the Canadian dollar equivalent of our U.S. operations revenue by $419,000.

Interest expense declined by $108,000 or 17% to $515,000 in the fourth quarter of 2015 compared to $623,000 last year as a result of lower average borrowings and interest rates.

Summary of Quarterly Financial Results*

(in thousands of dollars unless otherwise stated)	2015				2014			
Quarters ended	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	Dec. 31	Sept. 30	June 30	Mar. 31
Average funds employed (millions)	**$ 145**	**$ 156**	**$ 155**	**$ 142**	$ 146	$ 149	$ 146	$ 130
Revenue								
Interest and other income	**$ 7,840**	**$ 8,521**	**$ 7,657**	**$ 7,559**	$ 7,925	$ 8,165	$ 7,529	$ 6,616
Expenses								
Interest	**515**	**599**	**633**	**511**	623	653	729	518
General and administrative	**4,426**	**4,456**	**4,240**	**4,363**	4,212	4,009	3,780	4,152
Provision for credit and loan losses	**(763)**	**128**	**529**	**479**	(883)	354	641	527
Impairment of assets held for sale	**50**	**—**	**—**	**—**	—	—	—	—
Depreciation	**33**	**34**	**35**	**34**	38	32	29	27
Business acquisition expenses								
Amortization of intangibles	**144**	**144**	**144**	**144**	123	123	123	82
Transaction and integration costs	**—**	**—**	**—**	**—**	—	3	3	112
	4,405	**5,361**	**5,581**	**5,531**	4,113	5,174	5,305	5,418
Earnings before income tax expense	**3,435**	**3,160**	**2,076**	**2,028**	3,812	2,991	2,224	1,198
Income tax expense	**641**	**636**	**340**	**323**	1,442	815	687	401
Net earnings	**$ 2,794**	**$ 2,524**	**$ 1,736**	**$ 1,705**	$ 2,370	$ 2,176	$ 1,537	$ 797
Adjusted net earnings	**$ 2,980**	**$ 2,551**	**$ 1,885**	**$ 1,865**	$ 3,022	$ 2,263	$ 1,594	$ 1,235
Earnings per common share ** (cents)	**34**	**30**	**21**	**21**	29	26	18	10
Adjusted earnings per common share (cents)**	**36**	**31**	**23**	**22**	36	27	19	15

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

G&A increased by $214,000 or 5% to $4,426,000 in the current quarter compared to $4,212,000 last year mainly as a result of a stronger U.S. dollar, which caused the Canadian dollar equivalent of our U.S. operations G&A to rise by $185,000.

There was a $763,000 recovery of credit and loan losses in the fourth quarter of 2015 compared to a recovery of $883,000 last year. The recovery comprised:

Quarters ended Dec. 31 (in thousands)	2015	2014
Net charge-off recovery	**$ (438)**	$ (499)
Reserves recovery related to decrease in total allowances for losses	**(325)**	(384)
	$ (763)	$ (883)

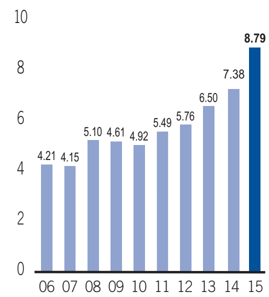
An impairment charge of $50,000 (2014 – nil) was taken in the fourth quarter against certain assets held for sale as revised valuations thereof determined that their estimated net realizable value had declined below book value (see note 6 to the Statements).

Business acquisition expenses of $144,000 (2014 – $123,000) for the current quarter solely comprised the amortization of intangibles.

Income tax expense declined by $801,000 or 56% to $641,000 in the current quarter compared to $1,442,000 in the fourth quarter of 2014. As noted above, in 2014 a withholding tax expense of $559,000 was incurred by the Company. The Company's effective corporate income tax rate declined to 18.7% in the current quarter compared to 37.8% last year. Excluding the withholding tax expense, the Company's effective income tax rate in the fourth quarter of 2014 would have been 23.2%.

Review of Financial Position

Equity at December 31, 2015 increased by $11,734,000 or 19% to a record $73,066,000 compared to $61,332,000 at December 31, 2014. Book value per common share was also a record $8.79 at December 31, 2015 compared to $7.38 a year earlier. The increase in equity mainly resulted from a rise in retained earnings and a higher accumulated other comprehensive income ("AOCI") balance, which benefitted from the stronger U.S. dollar in 2015. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 29 of this Annual Report.



Book Value per Share
(in dollars)

Book value per share rose to a record high $8.79 at December 31, 2015. It was 19% higher than the $7.38 last year-end.

Total assets were $154,560,000 at December 31, 2015 similar to the $154,624,000 at December 31, 2014. Total assets largely comprised Loans (funds employed). Identifiable assets located in the United States were 50% of total assets at December 31, 2015 compared to 41% at December 31, 2014 (see note 22 to the Statements).

Table 2 – Financial Condition and Leverage

(as a percentage)	2015	2014	2013
Tangible equity/assets	44	36	42
Equity/assets	47	40	44
Debt (bank indebtedness & notes payable)/equity	92	132	109
(in thousands)			
Receivables and Loans			
Loans	$ 135,907	$ 138,109	$ 111,287
Managed receivables	70,148	80,016	62,170
Total Portfolio	$ 206,055	$ 218,125	$ 173,457

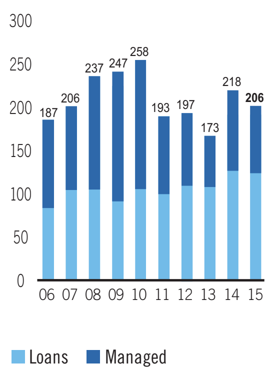
Table 2 highlights the Company's financial condition. The first two ratios in the table (44% and 47%), detailing equity as a percentage of assets, rose in 2015 on the 19% increase in equity. Meanwhile, the debt to equity ratio decreased to 92% in 2015 from 132% in 2014 on lower borrowings and increased equity. These ratios indicate the Company's continued financial strength and relatively low degree of leverage.

Gross finance receivables and loans (also referred to as Loans or funds employed), before the allowance for losses thereon, decreased by $2,202,000 or 2% to $135,907,000 at December 31, 2015 compared to $138,109,000 last year-end. As detailed in note 5 to the Statements, the Company's Loans comprised:

(in thousands)	Dec. 31, 2015	Dec. 31, 2014
Factored receivables	$ 77,249	$ 89,367
Loans to clients	52,524	42,988
Lease receivables	6,134	5,754
Finance receivables and loans, gross	135,907	138,109
Less allowance for losses	1,648	1,763
Finance receivables and loans, net	$134,259	$136,346

The Company's factored receivables declined by 14% to $77,249,000 at December 31, 2015 compared to $89,367,000 at December 31, 2014. Loans to clients, which comprise advances against non-receivable assets such as inventory and equipment, rose by 22% to $52,524,000 at December 31, 2015 compared to $42,988,000 a year earlier. Lease receivables, representing AEF's net investment in equipment leases, rose by 7% to $6,134,000 at December 31, 2015. Net of the allowance for losses thereon, Loans decreased by 2% to $134,259,000 at December 31, 2015 compared to $136,346,000 last year-end. The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 80 clients in a wide variety of industries, as well as AEF's lease receivables and equipment and related loans to over 500 clients. Five clients each comprised over 5% of gross Loans at December 31, 2015, of which the largest client comprised 7%.

In its credit protection and receivables management business, the Company contracts with clients to assume the credit risk associated with respect to their receivables usually without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These managed receivables totalled $70 million at December 31, 2015 compared to $80 million at December 31, 2014. Managed receivables comprise the receivables of approximately 100 clients at December 31, 2015. The 25 largest clients comprised 80% of non-recourse factoring volume in 2015. Most of the clients' customers upon which the Company assumes the credit risk are "big box", apparel, home furnishings and footwear retailers in Canada and the United States. At December 31, 2015, the 25 largest customers accounted for 63% of total managed receivables, of which the largest five comprised 30%. All customer balances were below $10 million at that date. The Company monitors the retail industry and the credit risk related to its managed receivables very closely. The managed receivables are regularly reviewed and continue to be well rated.



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

The Company's total portfolio declined by 6% to $206 million at December 31, 2015 from $218 million a year earlier mainly on lower managed receivables.

The Company's total portfolio, which comprises both gross Loans and managed receivables, as detailed in Table 2 above, decreased by 6% to $206 million at December 31, 2015 compared to $218 million at December 31, 2014.

As described in note 19(a) to the Statements, the Company's business involves funding or assuming credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's asset-based lending and credit protection businesses is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1,000,000, the Company's President and the Chairman of its Board. Credit in excess of $2,500,000 is approved by the Company's Credit Committee, which comprises three independent members of its Board. In AEF's lending operations, transactions up to $75,000 are approved by credit managers or more senior staff, while amounts between $75,001 and $250,000 are approved by AEF's general manager or an officer of AEF. Amounts over $250,000 are approved by both AEF's general manager and its President. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

In its asset-based lending operations, the Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. AEF's lease receivables and equipment and working capital loans are term loans with payments usually spread out evenly over the term of the lease or loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, 3.9% were past due more than 60 days at December 31, 2015. In the Company's asset-based lending business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on such older receivables.

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

The Company also minimizes credit risk by limiting the maximum amount it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables and applying concentration limits, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases. In its asset-based lending operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's leasing operations, security deposits are obtained in respect of each equipment lease or loan. In its credit protection business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. As noted above, all customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. Note 19(a) to the Statements provides details of the Company's credit exposure by industrial sector.

Table 3 – Credit Quality

(as a percentage)	**2015**	2014	2013
Managed receivables past due more than 60 days	**3.9**	2.9	4.9
Reserves*/portfolio	**0.9**	0.9	1.0
Reserves*/net charge-offs	**310**	415	393
Net charge-offs/revenue	**1.9**	1.6	1.6

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

Table 3 highlights the credit quality of the Company's total portfolio, both Loans and managed receivables. Net charge-offs of our managed receivables decreased to $168,000 in 2015 compared to $244,000 last year. Net charge-offs of managed receivables were 3 basis points of volume in 2015 compared to 5 basis points in 2014. Net charge-offs in the Company's asset-based lending business increased to $418,000 in 2015 compared to $227,000 last year. Overall, the Company's total net charge-offs in 2015, as set out in the Results of Operations section above, rose by 24% to $586,000 compared with $471,000 in 2014. After the customary detailed year-end review of the Company's portfolio by its Risk

Management Committee, it was determined that all problem loans and accounts were identified and provided for where necessary. The Company maintains separate allowances for losses on both its Loans and its guarantee of managed receivables, at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowance for losses on Loans decreased by $115,000 or 7% to $1,648,000 at December 31, 2015 compared to $1,763,000 at December 31, 2014 on a 2% decline in gross Loans. The allowance for losses on the guarantee of managed receivables decreased by 13% to $166,000 at December 31, 2015 compared to $190,000 at December 31, 2014 on a similar decrease in managed receivables. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. It is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in both allowance for losses accounts during 2015 and 2014 is set out in note 5 to the Statements. The estimates of both allowances for losses are judgmental. Management considers them to be reasonable and appropriate.

Cash increased to $12,440,000 at December 31, 2015 compared with $7,103,000 at December 31, 2014. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. The rise in cash this year-end is considered temporary and surplus cash balances will be used to fund new Loans and/or repay bank indebtedness. Fluctuations in cash balances are normal.

Assets held for sale, which comprise certain assets securing defaulted loans that the Company obtained title to or repossessed, are stated at their estimated net realizable value and totalled $1,544,000 at December 31, 2015 compared to $2,172,000 at December 31, 2014. Please refer to note 6 to the Statements for details of changes in the assets held for sale balance during 2015 and 2014. During 2015 certain assets held for sale with a book value of $1,583,000 were sold for $1,572,000 resulting in a loss on sale of $11,000. During the year, the Company also obtained title to or repossessed certain equipment securing defaulted loans. This equipment had an estimated net realizable value of $945,000. During 2014, certain assets held for sale with a book value of $3,034,000 were sold by our U.S. subsidiary for $3,450,000 resulting in a gain on sale of $416,000. In 2014, the Company also obtained title to or repossessed certain equipment securing defaulted loans with an estimated net realizable value of $374,000. The estimated net realizable value of the assets held for sale at December 31, 2015 and 2014 was based upon appraisals of the assets.

Intangible assets were acquired as part of the Varion acquisition on January 31, 2014 and comprise existing customer contracts and broker relationships. These are being amortized over a period of 5 to 7 years. Intangible assets, net of accumulated amortization, totalled $1,496,000 at December 31, 2015 compared with $2,071,000 last year-end. Amortization of $575,000 was charged in 2015 (2014 – $451,000). Please refer to note 8 to the Statements.

Goodwill totalled $3,213,000 at December 31, 2015 compared to $2,998,000 at December 31, 2014. Goodwill of $1,883,000 was acquired as part of the Varion acquisition on January 31, 2014. Goodwill of US$962,000 is also carried in the Company's U.S. operations and is translated into Canadian dollars at the prevailing year-end exchange rate; foreign exchange adjustments usually arise on retranslation. The Company's goodwill was subject to annual impairment tests in 2015 and 2014 which determined that there was no impairment to the carrying value thereof. Please refer to note 9 to the Statements.

Other assets, income taxes receivable, deferred tax assets and capital assets at December 31, 2015 and 2014 were not significant.

Total liabilities decreased by $11,798,000 to $81,494,000 at December 31, 2015 compared to $93,292,000 at December 31, 2014. The decrease mainly resulted from lower bank indebtedness and notes payable.

Amounts due to clients increased by $2,763,000 to $9,402,000 at December 31, 2015 compared to $6,639,000 at December 31, 2014. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness decreased by $9,900,000 to $54,095,000 at December 31, 2015 compared with $63,995,000 at December 31, 2014. Bank indebtedness decreased as a result of cash generated from operations. The Company had approved credit lines with a number of banks totalling $137 million at December 31, 2015 and was in compliance with all loan covenants thereunder during 2015 and 2014. The Company's credit lines are typically renewed for a period of one or two years at a time as circumstances dictate. Bank indebtedness usually fluctuates with the quantum of Loans outstanding. The Company had no term debt outstanding in 2015 and 2014.

Notes payable decreased by $3,607,000 to $13,201,000 at December 31, 2015 compared to $16,808,000 at December 31, 2014. The decrease in notes payable resulted from note redemptions, net of new notes issued and accrued interest. Please see Related Party Transactions section below and note 11(a) to the Statements.

Accounts payable and other liabilities, income taxes payable, deferred income and deferred tax liabilities at December 31, 2015 and 2014 were not material.

Capital stock was unchanged at $6,896,000 at December 31, 2015 and 2014. There were 8,307,713 common shares outstanding at those dates. At the date of this MD&A, February 17, 2016, 8,307,713 common shares remained outstanding. Please see the consolidated statements of changes in equity on page 29 of this report for details of changes in capital stock during 2015 and 2014.

Retained earnings totalled $57,066,000 at December 31, 2015 compared to $51,215,000 at December 31, 2014. During 2015, retained earnings increased by $5,851,000 which comprised net earnings of $8,759,000 less dividends paid of $2,908,000 (35 cents per common share). Please see the consolidated statements of changes in equity on page 29 of this report for details of changes in retained earnings during 2015 and 2014.

The Company's AOCI account solely comprises the cumulative unrealized foreign exchange income (or loss) arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance totalled $9,043,000 at December 31, 2015 compared to $3,178,000 at December 31, 2014. Please refer to note 18 to the Statements and the consolidated statements of changes in equity on page 29 of this report, which details movements in the AOCI account during 2015 and 2014. The $5,865,000 increase in AOCI balance during 2015 resulted from the rise in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar strengthened from $1.1601 at December 31, 2014 to $1.3840 at December 31, 2015. This increased the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$27 million by $5,865,000.

Liquidity and Capital Resources

The Company considers its capital resources to include equity and debt, namely, its bank indebtedness and notes payable. The Company has no term debt outstanding. The Company's objectives when managing its capital are to: (i) maintain financial flexibility in order to meet financial obligations and continue as a going concern;

Contractual Obligations and Commitments at December 31, 2015

	Payments due in			
(in thousands of dollars)	Less than one year	One to three years	Four to five years	**Total**
Operating lease obligations	$ 445	$ 187	$ —	**$ 632**
Purchase obligations	28	—	—	**28**
	$ 473	$ 187	$ —	**$ 660**

(ii) maintain a capital structure that allows the Company to finance its growth using internally-generated cash flow and debt capacity; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company manages its capital resources and makes adjustments to them in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital resources, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay debt. Amongst other things, the Company monitors the ratio of its debt to equity and its equity to total assets. These ratios are presented for the last three years as percentages in Table 2. As noted above, the ratios at December 31, 2015 indicate the Company's continued financial strength and overall relatively low degree of leverage.

The Company's financing and capital requirements generally increase with the level of Loans outstanding. The collection period and resulting turnover of outstanding receivables also impact financing needs. In addition to cash flow generated from operations, the Company maintains bank lines of credit in Canada and the United States. The Company can also raise funds through its notes payable program.

The Company had bank credit lines totalling $137 million at December 31, 2015 and had borrowed $54 million against these facilities. Funds generated through operating activities and the issuance of notes payable decrease the usage of, and dependence on, these lines.

As noted in the Review of Financial Position section above, the Company had cash balances of $12,440,000 at December 31, 2015 compared to $7,103,000 at December 31, 2014. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness. As noted above, the rise in cash balance this year-end is considered temporary.

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

Fiscal 2015 cash flows: *Year ended December 31, 2015 compared with year ended December 31, 2014*

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $11,090,000 in 2015 compared to $10,606,000 last year. After changes in operating assets and liabilities and income tax payments are taken into account, there was a net cash inflow from operating activities of $25,994,000 in 2015 compared to an outflow of $6,538,000 last year. The net cash inflow in 2015 largely resulted from the repayment of Loans by clients and net earnings. In 2014, the net cash outflow principally resulted from financing new Loans. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows on page 30 of this report.

Cash outflow from investing activities in 2015 totalled $98,000 for net capital asset additions compared to $4,362,000 last year. In 2014, cash consideration of $4,170,000 was paid as part of the Varion acquisition, while net capital asset additions totalled $192,000.

Net cash outflow from financing activities totalled $22,390,000 in 2015 compared to a net cash inflow of $14,149,000 last year. The net cash outflow this year resulted from repayment of bank indebtedness of $15,872,000, redemption of notes payable, net, of $3,610,000 and dividend payments totalling $2,908,000. The 2014 net cash inflow resulted from bank borrowings of $16,335,000 and the issue of notes payables, net, of $1,986,000. Partially offsetting these inflows were dividend payments of $2,742,000 and funds of $1,430,000 used to redeem Varion's preferred shares immediately upon acquisition.

The effect of exchange rate changes on cash totalled $1,831,000 and $413,000 in 2015 and 2014, respectively.

Overall, there was a net cash inflow of $5,337,000 in 2015 compared to $3,661,000 in 2014.

Related Party Transactions

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand or, in the case of one note, a week after demand and bear interest at rates that vary with bank prime or Libor. Notes payable at December 31, 2015 totalled $13,201,000 compared with $16,808,000 at December 31, 2014. Of these notes payable, $11,788,000 (2014 – $14,907,000) was owing to related parties and $1,413,000 (2014 – $1,901,000) to third parties. Interest expense on these notes in 2015 totalled $428,000 (2014 – $461,000). Note 11(b) to the Statements details the remuneration of directors and key management personnel during 2015 and 2014.

Financial Instruments

All financial assets and liabilities, with the exception of cash, derivative financial instruments, the guarantee of managed receivables and the Company's SARs liability, are recorded at cost. The exceptions noted are recorded at fair value. Financial assets and liabilities, other than the exceptions noted and the lease receivables and equipment loans to clients in our leasing business, are short term in nature and, therefore, their carrying values approximate fair values.

At December 31, 2015, the Company had entered into forward foreign exchange contracts with a financial institution that must be exercised between January 29, 2016 and March 31, 2016 and which oblige the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.3075 to 1.3100. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company will buy Canadian dollars from and sell US$700,000 to the client. These contracts are discussed further in note 17 to the Statements.

Critical Accounting Policies and Estimates

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

i) the allowance for losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic environment, condition of the loan and receivable portfolios and typical industry loss experience. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency.

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

A general or collective allowance on both its Loans and its guarantee of managed receivables is established to reserve against losses that are estimated to have occurred but cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. In establishing its collective allowances, the Company applies percentage formulae to its Loans and managed receivables. The formulae are based upon historic credit and loan loss experience and are reviewed for adequacy on an ongoing basis. Management believes that its allowances for losses are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and in notes 3(d) and 5 to the Statements.

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

Control Environment

There have been no changes to the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") during 2015 that have materially affected, or are reasonably likely to materially affect, DC&P or ICFR.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate and, as such, there can be no assurance that any design will succeed in achieving its stated goal under all potential conditions.

Disclosure controls and procedures

The Company's management, including its President and Chief Financial Officer, are responsible for establishing and maintaining the Company's disclosure controls and procedures and has designed same to provide reasonable assurance that material information relating to the Company is made known to it by others within the Company on a timely basis. The Company's management has evaluated the effectiveness of its disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA")) as at December 31, 2015 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) 2013 framework to evaluate the design of the Company's internal control over financial reporting and test its effectiveness; and

(iii) the Company's management has designed and tested the effectiveness of its internal control over financial reporting as at December 31, 2015 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS and advises that there are no material weaknesses in the design of internal control over financial reporting that have been identified by management.

Risks And Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 19 to the Statements, which discuss the Company's principal financial risk management practices.

Competition

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

Economic slowdown

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

Credit risk

The Company is in the business of financing its clients' receivables and making asset-based loans, including lease and equipment financing. The Company's portfolio totalled $206 million at December 31, 2015. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 19(a) to the Statements.

Interest rate risk

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to some degree. However, as the Company's floating rate Loans substantially exceed its borrowings, the Company is exposed to some degree to interest rate fluctuations. The impact of this "gap" is partly offset in the Company's leasing business where lease receivables and term loans to clients tend to be at fixed effective interest rates, while related bank borrowings tend to be floating rate. Please refer to note 19(c)(ii) to the Statements.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources is held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and attempt to neutralize the impact of foreign exchange movements on its operating results where possible. In recent years, the Company has seen the fluctuations in the U.S. dollar against the Canadian dollar affect its operating results when its U.S. dollar reporting foreign subsidiaries results are translated into Canadian dollars. This has also impacted the value of the Company's net Canadian dollar investment in its U.S. dollar reporting foreign subsidiaries, which had, in the past, reduced the AOCI component of equity to a loss position, although this has now recovered to a sizable gain position at December 31, 2015. Please see notes 18 and 19(c)(i) to the Statements.

Potential acquisitions and investments

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

Personnel significance

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

Outlook

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

Business activity was at record levels in 2015 and the Company's average funds employed, revenue, net earnings, adjusted net earnings, EPS and adjusted EPS in 2015 were annual records, while equity and book value per share were at record highs at December 31, 2015. Although the Company usually sees some seasonal declines in its funds employed in the fourth quarter and saw a number of clients "graduate" to regular bank lines, its pipeline of prospects remains strong and it is anticipated that the Company's asset-based financing units will be able to build upon current momentum despite operating in very competitive markets. Our credit protection and receivables management business continues to face intense competition from multinational credit insurers but is now stabilized and seeing some growth in its receivables volume. The Company's leasing business continues to expand and to introduce new products, such that we expect growth to accelerate over the next few years. We will remain vigilant in maintaining portfolio quality in the face of an increasingly uncertain global economy. The Company continues to seek opportunities to acquire companies or portfolios to grow its business. Overall, the Company is optimistic about its prospects for 2016.

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

Stuart Adair

Stuart Adair
Senior Vice President, Chief Financial Officer
February 17, 2016

Accord's Key Credit Benchmarks

One of our primary functions at Accord is to manage risk and to assess credit quality. As detailed in Table 3, there are four key benchmarks which tell us how well we are doing.

Past due receivables

We try to keep our past due receivables as low as possible. Over the past three years, the percentage of managed receivables past due more than 60 days has ranged from 2.9% to 4.9%. At December 31, 2015, the percentage was 3.9%.

Reserves to portfolio

In an effort to minimize financial risk, we try to maximize this measure. Over the past three years, it has ranged between 0.9% and 1.0%. It was 0.9% at December 31, 2015 and 2104.

Reserves to net charge-offs

Ideally, this percentage should be greater than 50%, which is to say that the year-end reserves would absorb about six months of charge-offs. As a result of the low level of charge-offs in 2015, this percentage was to 310% at December 31, 2015.

Net charge-offs to revenue

This is an important benchmark in our business. The Company considers charge-offs of less than 5% of revenue to be acceptable. It has ranged between 1.6% and 1.9% in the last three years and was 1.9% in 2015 as the Company continued to manage its portfolio very well.

Ten Year Financial Summary 2006-2015

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

	Canadian GAAP				IFRS*					
	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Revenue	$ 28,864	28,346	28,060	24,045	31,406	28,408	25,891	26,074	30,235	**31,577**
Interest	2,391	2,992	2,871	1,180	1,730	2,047	1,911	1,913	2,523	**2,258**
General and administrative	13,290	13,143	13,491	13,290	14,679	13,558	13,615	13,845	16,154	**17,484**
Provision for credit and loan losses	1,961	2,402	3,849	3,648	1,325	886	213	438	639	**375**
Impairment of assets held for sale	—	—	—	1,265	1,237	462	—	—	—	**50**
Depreciation	322	209	195	181	159	130	126	112	125	**136**
Business acquisition expenses	—	—	—	—	—	—	—	—	570	**575**
Total expenses	17,964	18,746	20,406	19,564	19,130	17,083	15,865	16,308	20,011	**20,878**
Earnings before income tax expense	10,900	9,600	7,654	4,481	12,276	11,325	10,026	9,766	10,224	**10,699**
Income tax expense	3,783	3,313	2,613	1,392	4,033	3,740	3,649	3,228	3,345	**1,940**
Net earnings	$ 7,117	6,287	5,041	3,089	8,243	7,585	6,377	6,538	6,879	**8,759**
Earnings per common share:										
Basic	$ 0.73	0.66	0.53	0.33	0.88	0.85	0.76	0.80	0.83	**1.05**
Diluted	0.72	0.66	0.53	0.33	0.88	0.85	0.76	0.80	0.83	**1.05**
Dividends per common share	$ 0.20	0.22	0.24	0.26	0.28	0.30	0.31	0.32	0.33	**0.35**
Finance receivables and loans	$ 79,863	103,940	99,990	89,907	102,313	89,124	108,477	109,775	136,346	**134,259**
Other assets	4,816	3,193	3,508	8,030	10,811	9,368	16,115	11,034	18,278	**20,301**
Total assets	$ 84,679	107,133	103,498	97,937	113,124	98,492	124,592	120,809	154,624	**154,560**
Due to clients	$ 4,227	4,897	4,588	4,517	5,113	3,519	3,874	5,115	6,639	**9,402**
Bank indebtedness	26,687	48,207	35,877	36,798	44,596	27,222	54,572	43,368	63,995	**54,094**
Notes payable	9,195	9,567	10,944	9,254	10,142	14,611	14,492	14,809	16,808	**13,201**
Other liabilities	4,853	5,265	3,910	4,013	8,713	5,285	4,258	4,086	5,850	**4,797**
Total liabilities	44,962	67,936	55,319	54,582	68,564	50,637	77,196	67,378	93,292	**81,494**
Equity	39,717	39,197	48,179	43,355	44,560	47,855	47,396	53,431	61,332	**73,066**
Total liabilities and equity	$ 84,679	107,133	103,498	97,937	113,124	98,492	124,592	120,809	154,624	**154,560**
Shares outstanding at Dec. 31	# 9,443	9,454	9,438	9,409	9,066	8,719	8,221	8,221	8,308	**8,308**
Book value per share at Dec. 31	$ 4.21	4.15	5.10	4.61	4.92	5.49	5.76	6.50	7.38	**8.79**
Share price - high	$ 8.25	9.45	8.39	6.70	8.14	8.25	7.15	9.25	10.75	**12.05**
- low	7.00	7.72	4.75	5.25	5.25	6.50	6.50	6.84	7.85	**9.00**
- close at Dec. 31	7.75	8.00	5.81	5.25	7.50	6.87	7.00	7.86	9.35	**9.60**
Return on average equity	% 18.3	16.0	11.7	6.7	18.2	16.8	13.6	13.1	12.1	**13.1**

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

Management's Report to the Shareholders

The management of Accord Financial Corp. is responsible for the preparation, fair presentation and integrity of the consolidated financial statements, financial information and MD&A contained in this annual report. This responsibility includes the selection of the Company's accounting policies in addition to judgments and estimates in accordance with International Financial Reporting Standards ("IFRS"). The accounting principles which form the basis of the consolidated financial statements and the more significant policies applied are described in note 3 to the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of the CSA's National Instrument 51-102.

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

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

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

Stuart Adair

Stuart Adair
Senior Vice President, Chief Financial Officer
Toronto, Canada
February 17, 2016

Independent Auditors' Report to the Shareholders

To the Shareholders of Accord Financial Corp.

We have audited the accompanying consolidated financial statements of Accord Financial Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Accord Financial Corp. as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants
Toronto, Canada
February 17, 2016

Consolidated Statements of Financial Position

	December 31, 2015	December 31, 2014
Assets		
Cash	**$ 12,440,143**	$ 7,103,273
Finance receivables and loans, net (note 5)	**134,259,000**	136,345,686
Income taxes receivable	**376,727**	1,234,569
Other assets	**658,061**	2,004,166
Assets held for sale (note 6)	**1,544,182**	2,172,491
Deferred tax assets, net (note 13)	**217,103**	313,441
Capital assets (note 7)	**354,910**	380,576
Intangible assets (note 8)	**1,496,242**	2,071,794
Goodwill (note 9)	**3,213,495**	2,998,172
	$ 154,559,863	$ 154,624,168
Liabilities		
Due to clients	**$ 9,401,637**	$ 6,638,393
Bank indebtedness (note 10)	**54,094,479**	63,994,915
Accounts payable and other liabilities	**2,886,546**	3,343,377
Income taxes payable	**932,351**	1,226,963
Notes payable (note 11(a))	**13,200,628**	16,808,168
Deferred income	**378,504**	551,367
Deferred tax liabilities, net (note 13)	**600,034**	729,026
	81,494,179	93,292,209
Equity		
Capital stock (note 12)	**6,896,153**	6,896,153
Contributed surplus (note 12(c))	**60,329**	42,840
Retained earnings	**57,066,132**	51,215,217
Accumulated other comprehensive income (note 18)	**9,043,070**	3,177,749
	73,065,684	61,331,959
	$ 154,559,863	$ 154,624,168

See accompanying notes to consolidated financial statements.

On behalf of the Board

Ken Hitzig
Chairman of the Board

Tom Henderson
President & Chief Executive Officer

Consolidated Statements of Earnings

Years ended December 31	2015	2014
Revenue		
Interest and other income (note 5)	**$ 31,577,010**	$ 30,235,435
Expenses		
Interest	**2,257,582**	2,522,858
General and administrative	**17,484,394**	16,153,923
Provision for credit and loan losses	**374,519**	638,621
Impairment of assets held for sale	**50,600**	—
Depreciation	**135,748**	125,923
Business acquisition expenses		
Amortization of intangible assets	**575,552**	451,241
Transaction and integration costs	**—**	118,582
	20,878,395	20,011,148
Earnings before income tax expense	**10,698,615**	10,224,287
Income tax expense (note 13)	**1,940,000**	3,345,000
Net earnings	**$ 8,758,615**	$ 6,879,287
Basic and diluted earnings per common share (note 14)	**$ 1.05**	$ 0.83

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31	2015	2014
Net earnings	**$ 8,758,615**	$ 6,879,287
Other comprehensive income:		
Items that are or may be reclassified to profit or loss:		
Unrealized foreign exchange gain on translation of self-sustaining foreign operations (note 18)	**5,865,321**	2,904,182
Comprehensive income	**$ 14,623,936**	$ 9,783,469

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

	Capital stock					
	Number of common shares outstanding	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2014	8,221,498	$ 6,036,589	$ 42,840	$ 47,077,476	$ 273,567	$ 53,430,472
Comprehensive income	—	—	—	6,879,287	2,904,182	9,783,469
Common shares issued on acquisition of Varion Capital Corp.	86,215	859,564	—	—	—	859,564
Dividends paid	—	—	—	(2,741,546)	—	(2,741,546)
Balance at December 31, 2014	**8,307,713**	**$ 6,896,153**	**$ 42,840**	**$51,215,217**	**$ 3,177,749**	**$61,331,959**
Comprehensive income	**—**	**—**	**—**	**8,758,615**	**5,865,321**	**14,623,936**
Stock-based compensation expense related to stock option grant	**—**	**—**	**17,489**	**—**	**—**	**17,489**
Dividends paid	**—**	**—**	**—**	**(2,907,700)**	**—**	**(2,907,700)**
Balance at December 31, 2015	**8,307,713**	**$ 6,896,153**	**$ 60,329**	**$57,066,132**	**$ 9,043,070**	**$73,065,684**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31	2015	2014
Cash provided by (used in)		
Operating activities		
Net earnings	$ 8,758,615	$ 6,879,287
Items not affecting cash:		
Allowances for losses, net of charge-offs and recoveries	(211,334)	167,734
Deferred income	(187,498)	54,200
Amortization of intangible assets	575,552	451,241
Depreciation	135,748	125,923
Gain on disposal of capital assets	—	(1,729)
Loss (gain) on disposal of assets held for sale	10,981	(415,506)
Impairment of assets held for sale	50,600	—
Stock-based compensation expense related to stock option grant	17,489	—
Deferred tax expense	17,265	932,602
Current income tax expense	1,922,735	2,412,398
	11,090,153	10,606,150
Changes in operating assets and liabilities		
Finance receivables and loans, gross	11,327,880	(17,346,820)
Due to clients	2,545,490	1,387,851
Other assets	1,414,665	(1,570,415)
Accounts payable and other liabilities	(530,386)	559,228
Disposal of assets held for sale, net	1,572,397	3,435,757
Income tax paid, net	(1,425,871)	(3,609,912)
	25,994,328	(6,538,161)
Investing activities		
Acquisition of Varion Capital Corp.	—	(4,169,744)
Additions to capital assets, net	(98,210)	(192,686)
	(98,210)	(4,362,430)
Financing activities		
Bank indebtedness	(15,872,840)	16,335,240
Notes payable (redeemed) issued, net	(3,609,889)	1,985,899
Dividends paid	(2,907,700)	(2,741,546)
Redemption of Varion Capital Corp. preferred shares	—	(1,430,467)
	(22,390,429)	14,149,126
Effect of exchange rate changes on cash	1,831,181	412,552
Increase in cash	5,336,870	3,661,087
Cash at January 1	7,103,273	3,442,186
Cash at December 31	$ 12,440,143	$ 7,103,273
Supplemental cash flow information		
Net cash used in operating activities includes:		
Interest paid	$ 2,012,258	$ 2,570,741

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

1. Description of the business

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

2. Basis of presentation and statement of compliance

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

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates that are particularly judgmental related to the determination of the allowance for losses relating to finance receivables and loans and to the guarantee of managed receivables, the determination of the value of goodwill and intangibles on acquisition (notes 3(d), 3(f), 3(g), 8 and 9), as well as the net realizable value of assets held for sale and deferred tax assets and liabilities (notes 3(o), 6 and 13). Management believes that these estimates are reasonable and appropriate.

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

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

**a component of accounts payable and other liabilities*

These consolidated financial statements were approved for issue by the Company's Board of Directors ("Board") on February 17, 2016.

3. Significant accounting policies

(a) Basis of consolidation

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

(b) Revenue recognition

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

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

(c) Finance receivables and loans

The Company finances its clients principally by factoring their receivables, providing asset-based loans and financing equipment leases. Finance receivables (namely, factored receivables and lease receivables) and loans to clients are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Finance receivables and loans to clients are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest rate method.

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

(d) Allowances for losses

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

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

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

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

(e) Capital assets

Capital assets are stated at cost. Depreciation is provided over the estimated useful lives of the assets using the following bases and annual rates:

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

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

(f) Goodwill

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

(g) Intangible assets

Purchased intangible assets are recognized as assets in accordance with International Accounting Standard ("IAS") 38, Intangible Assets, when it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase, which is also the fair value at the date acquired, and are subsequently carried at cost less accumulated amortization and, if applicable, accumulated impairment losses. The Company's intangible assets have a finite life and are amortized over their useful economic life. They are also assessed for impairment each reporting period. The amortization period and method of amortization are reassessed annually. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimates. The amortization expense is recorded as a charge against earnings. The Company's intangible assets comprise existing customer contracts and broker relationships in its leasing operations, which are amortized over a period of five to seven years.

(h) Income taxes

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

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, as well as the available losses carried forward to future years for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized in respect of taxes payable in the future based on taxable temporary differences and are mainly related to the Company's intangible assets and assets held for sale balances.

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

(i) Foreign subsidiaries

The Company's foreign subsidiaries report in U.S. dollars and their assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at the consolidated statements of financial position dates. Revenue and expenses are translated into Canadian dollars at the average monthly exchange rate then prevailing. Resulting translation gains and losses are credited or charged to other comprehensive income or loss and presented in the accumulated other comprehensive income or loss component of equity.

(j) Foreign currency transactions

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

(k) Earnings per common share

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

(l) Stock-based compensation

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

The Company's senior executive long-term incentive plan ("LTIP") (note 12(g)) contemplates grants thereunder may be settled in common shares and/or cash. Grants are determined as a percentage of the participants' short-term annual bonus, up to an annual LTIP pool maximum, which may be adjusted up or down based on the Company's adjusted return on average equity over the three year vesting period of an award. The fair value of the award(s), calculated at each reporting date, is recorded in general and administrative expenses over the awards vesting period, with a corresponding liability established.

(m) Derivative financial instruments

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

(n) Financial assets and liabilities

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

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

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

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

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

(o) Assets held for sale

Assets acquired or repossessed on realizing security on defaulted finance receivables and loans are held for sale and are stated at the lower of cost or recoverable amount (also referred to as "net realizable value").

(p) Financial instruments – disclosures

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

- Level 1 - quoted prices in active markets;

- Level 2 - models using observable inputs other than quoted market prices included within Level 1; and
- Level 3 - models using inputs that are not based on observable market data.

(q) Business combinations

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

(r) Future accounting policies

Narrow-scope amendments to IAS 1 Presentation of Financial Statements ("IAS 1") were published on December 18, 2014. The amendments do not require any significant change to current practice, but emphasize materiality by clarifying that specific single disclosures that are not material do not have to be presented – even if they are a minimum requirement of a standard. These amendments are effective for periods beginning on or after January 1, 2016. The extent of impact of adoption of amendments to IAS 1 has not yet been determined.

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

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), will replace the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, with the exception of revenue earned from contracts in the scope of other standards, such as financial instruments, insurance contracts and leases. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with customers. IFRS 15 is effective for the fiscal year beginning January 1, 2018. The extent of the impact of adoption of IFRS 15 has not yet been determined.

IFRS 16, Leases ("IFRS 16"), will replace existing guidance on accounting for leases. The accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for fiscal years beginning January 1, 2019. The extent of the impact of adoption of IFRS 16 has not yet been determined.

4. Acquisition of Varion

On January 31, 2014, the Company acquired 100% of Varion, a Canadian lease finance company. Varion has been financing equipment for small- and medium-sized businesses since 2004. This acquisition expanded the range of asset-based financial services offered by the Company to include leasing.

The following table summarizes the purchase price paid and the fair value of Varion's assets acquired and liabilities assumed at the date of acquisition:

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

During 2015, the Company incurred business acquisition expenses of $575,552 relating to the purchase, comprising the amortization of intangibles. In 2014, the Company incurred business acquisition expenses of $569,823 relating to the purchase, of which $451,241 comprised the amortization of intangibles and $118,582 comprised transaction and integration costs.

5. Finance receivables and loans

	Dec. 31, 2015	Dec. 31, 2014
Factored receivables	$ 77,249,252	$ 89,367,097
Loans to clients	52,523,477	42,987,431
Lease receivables	6,134,271	5,754,158
Finance receivables and loans, gross	135,907,000	138,108,686
Less allowance for losses	1,648,000	1,763,000
Finance receivables and loans, net	$134,259,000	$136,345,686

Lease receivables comprise Varion's net investment in leases as described in note 3(c). Varion's leases at December 31, 2015 are expected to be collected over a period of up to five years.

Interest income earned on finance receivables and loans in 2015 totalled $25,063,044 (2014 – $23,493,142). Fees from receivables management and credit protection services during 2015 totalled $4,950,370 (2014 – $5,111,614).

The Company's allowance for losses on finance receivables and loans to clients at December 31, 2015 and 2014 comprised only a collective allowance. The activity in the allowance for losses on finance receivables and loans account during 2015 and 2014 was as follows:

	2015	2014
Allowance for losses at January 1	$ 1,763,000	$ 1,512,000
Allowance assumed on acquisition of Varion	—	95,384
Provision for loan losses	230,741	352,004
Charge-offs	(437,412)	(289,014)
Recoveries	19,336	61,745
Foreign exchange adjustment	72,335	30,881
Allowance for losses at December 31	$ 1,648,000	$ 1,763,000

The Company has entered into agreements with clients, whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At December 31, 2015, the gross amount of these managed receivables was $70,148,210 (2014 – $80,015,938). At December 31, 2015, management provided an amount of $166,000 (2014 – $190,000) as a collective allowance for losses on the guarantee of these managed receivables, which represents the estimated fair value of the guarantees at those dates. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included in the consolidated statements of financial position.

The activity in the allowance for losses on the guarantee of managed receivables account during 2015 and 2014 was as follows:

	2015	2014
Allowance for losses at January 1	$ 190,000	$ 147,000
Provision for credit losses	143,778	286,617
Charge-offs	(197,166)	(344,813)
Recoveries	29,388	101,196
Allowance for losses at December 31	$ 166,000	$ 190,000

The nature of the Company's business involves funding or assuming the credit risk on receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. These transactions are conducted on terms that are usual and customary to the Company's factoring and asset-based lending activities. The Company controls the credit risk associated with its finance receivables and loans and managed receivables in a variety of ways. For details of the Company's policies and procedures in this regard, please refer to note 19(a).

At December 31, 2015, the Company held cash collateral of $1,486,710 (2014 – $2,329,095) to help reduce the risk of loss on certain of the Company's finance receivables and loans and managed receivables.

The Company considers the allowances for losses on both its finance receivables and loans and its guarantee of managed receivables critical to its financial results (note 3(d)). As noted above, the Company maintains a separate allowance for losses on each of the above items at amounts, which, in management's judgment, are sufficient to cover estimated losses thereon. The allowances are based upon several considerations, including current economic environment, condition of the loan and receivable portfolios and typical industry loss experience. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency.

In establishing its collective allowances, the Company applies percentage formulae to its finance receivables and loans and managed receivables. The Company reviewed and adjusted its allowance for losses formulae at the beginning of 2015. The changes in estimate did not have a material impact on the Company's consolidated financial statements.

6. Assets held for sale

The estimated net realizable value of the assets held for sale and movements therein during 2015 and 2014 was as follows:

	2015	2014
Assets held for sale at January 1	**$ 2,172,491**	$ 4,539,910
Additions	**944,589**	373,900
Disposals	**(1,583,378)**	(3,034,126)
Impairment charge	**(50,600)**	—
Foreign exchange adjustment	**61,080**	292,807
Assets held for sale at December 31	**$ 1,544,182**	$ 2,172,491

During 2015, 2014 and prior years, the Company obtained title to or repossessed certain long-lived assets securing defaulted loans. These assets will be disposed of as market conditions permit. The estimated net realizable value of the assets at December 31, 2015 and 2014 was based upon appraisals of the assets.

The assets disposed of in 2015 were sold for $1,572,397, resulting in an overall loss on sale of $10,981 compared to the estimated net realizable value of the assets. The loss is included in other income. The assets disposed of in 2014 were sold for $3,449,632, resulting in a gain on sale of $415,506 over the estimated net realizable value of the assets. The gain is included in other income.

7. Capital assets,

	Dec. 31, 2015	Dec. 31, 2014
Cost	**$ 2,350,215**	$ 2,202,140
Less accumulated depreciation	**1,995,305**	1,821,564
	$ 354,910	$ 380,576

8. Intangible assets

Intangible assets were as follows:

	Existing customer contracts	Broker relationships	Total
Cost			
January 1, 2014	$ —	$ —	$ —
Varion acquisition (note 4)	1,179,097	1,343,938	2,523,035
December 31, 2014 and 2015	$ 1,179,097	$ 1,343,938	$ 2,523,035
Accumulated amortization			
January 1, 2014	$ —	$ —	$ —
Amortization expense	264,117	187,124	451,241
December 31, 2014	264,117	187,124	451,241
Amortization expense	371,416	204,136	575,552
December 31, 2015	$ 635,533	$ 391,260	$ 1,026,793
Net book value			
January 1, 2014	$ —	$ —	$ —
December 31, 2014	$ 914,980	$ 1,156,814	$ 2,071,794
December 31, 2015	$ 543,564	$ 952,678	$ 1,496,242

9. Goodwill

	2015	2014
Balance at January 1	$ 2,998,172	$ 1,022,861
Varion acquisition (note 4)	—	1,882,507
Foreign exchange adjustment	215,323	92,804
December 31	$ 3,213,495	$ 2,998,172

During 2015 and 2014, the Company conducted annual impairment reviews and determined that there was no impairment to the carrying value of goodwill. Goodwill of US$961,697 is carried in the Company's U.S. subsidiary and a foreign exchange adjustment is recognized each year-end when this balance is translated into Canadian dollars at a different prevailing year-end exchange rate.

10. Bank indebtedness

Revolving lines of credit totalling approximately $137,000,000 have been established with a number of banks, bearing interest varying with the bank prime rate or Libor. These lines of credit, which are to be renewed in 2016, are collateralized by all the assets of the Company, mainly its finance receivables and loans to clients. At December 31, 2015, the amounts outstanding under these lines of credit totalled $54,094,479 (2014 – $63,994,915). The Company was in compliance with all loan covenants under these lines of credit during 2015 and 2014.

11. Related party transactions

(a) Notes payable

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

Notes payable at December 31 were as follows:

	2015	2014
Related parties	$ 11,787,564	$ 14,907,291
Third parties	1,413,064	1,900,877
	$ 13,200,628	$ 16,808,168

Interest expense on the notes payable was as follows:

	2015	2014
Related parties	$ 391,088	$ 414,565
Third parties	36,413	46,506
	$ 427,501	$ 461,071

(b) Compensation of directors and key management personnel

The remuneration of directors and key management personnel[1] during 2015 and 2014 was as follows:

	2015	2014
Salaries and directors' fees	$ 2,272,426	$ 2,046,797
Stock-based compensation[2]	28,650	296,700
	$ 2,301,076	$ 2,343,497

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

[2] Stock-based compensation comprises the expense related to the Company's LTIP, SARs and stock option grants. Please see note 12.

12. Capital stock, contributed surplus, dividends, share appreciation rights, stock option plans, senior executive long-term incentive plan, and stock-based compensation

(a) Authorized capital stock

The authorized capital stock of the Company consists of an unlimited number of first preferred shares, issuable in series, and an unlimited number of common shares with no par value. The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board. At December 31, 2015 and 2014, there were no first preferred shares outstanding.

(b) Issued and outstanding

The Company's issued and outstanding common shares during 2015 and 2014 are set out in the consolidated statements of changes in equity.

(c) Contributed surplus

	2015	2014
January 1	$ 42,840	$ 42,840
Stock-based compensation expense related to stock option grant (note 12(f))	17,489	—
December 31	$ 60,329	$ 42,840

(d) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During 2015, dividends totalling $2,907,700 (2014 – $2,741,546) or $0.35 (2014 – $0.33) per common share were declared and paid.

On January 22, 2016, the Company declared a quarterly dividend of $0.09 per common share, payable March 1, 2016 to shareholders of record on February 12, 2016.

(e) Share appreciation rights

The Company has established a SARs plan, whereby SARs are granted to directors and key managerial employees of the Company. The maximum number of SARs which may be granted in any fiscal year under the plan is 2.5% of the total number of issued and outstanding common shares of the Company at the time of grant. The SARs will have a strike price at the time of grant equal to the volume weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the ten days that the shares were traded immediately preceding the date of grant, or other ten day trading period that the Company's Board may determine. Employees can sell part or all of their SARs after holding them for a minimum of 24 months. Each employee's SARs not sold to the Company will automatically be sold on the last business day on or preceding the fifth anniversary following such grant. Directors have to sell their SARs to the Company on or before October 27, 2017 at which time they will automatically be sold.

No SARs have been granted by the Company to directors or employees since 2011. During 2015, 15,000 SARs were exercised (2014 – 127,500).

The Company's vested and outstanding SARs at December 31 were as follows:

Exercise price	Grant date	2015	2014
$6.03	July 28, 2009	7,500	7,500
$5.50	May 7, 2010	15,000	30,000
$7.97	May 4, 2011	55,000	55,000
$7.56	July 26, 2011	5,000	5,000
		82,500	97,500

At December 31, 2015, the Company had accrued a liability $190,050 (2014 – $228,300) in respect of the fair value of outstanding SARs.

(f) Stock option plans

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

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

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

On October 28, 2015, the Company granted 100,000 (2014 – nil) stock options to its five non-executive directors at an exercise price $9.56. These 100,000 options are the only ones outstanding at December 31, 2015. Fifty percent of these options vest after one year and fifty percent after two years. The options have to be exercised within five years of the grant date, namely, by October 27, 2020 at which time they expire.

The fair value of the 100,000 options granted was determined using the Black-Scholes option pricing model with the following assumptions on the grant date:

Risk free interest rate	0.82%
Expected dividend yield	3.77%
Expected share price volatility	23.50%
Expected life of option	5.0 years
Fair value per option	$1.40

(g) Senior executive long-term incentive plan

Under the LTIP, which was introduced in 2015, grants may be made annually to the Company's senior executive management group and are measured and assessed over a three-year performance period. Grants are determined as a percentage of the participants' short-term annual bonus subject to an annual LTIP pool maximum of 5% of adjusted consolidated net earnings. Vesting of the LTIP is subject to achievement over a three-year period of a cumulative annual adjusted return on average consolidated shareholders' equity and may be adjusted up or down subject to achievement of certain minimum and maximum return thresholds. The Compensation Committee of the Board has the discretion to determine whether payments on settlement are made through the issuance of shares at that time or in cash.

(h) Stock-based compensation

During 2015, the Company recorded a stock-based compensation expense totalling $141,263 (2014 – $364,617), of which $97,074 (2014 – nil) was in respect of the 2015 LTIP award, $26,700 (2014 – $364,617) was in respect of outstanding SARs and $17,489 (2014 – nil) in respect of the non-executive directors' stock option grant.

13. Income taxes

The Company's income tax expense comprises:

	2015	2014
Current income tax expense	**$ 1,922,735**	$ 2,412,398
Deferred tax expense	**17,265**	932,602
Income tax expense	**$ 1,940,000**	$ 3,345,000

During 2015 and 2014, the Company's statutory income tax rate was 26.5%. The Company's income tax expense varies from the amount that would be computed using the Company's statutory income tax rate due to the following:

	2015	%
Income taxes computed at statutory rates	**$ 2,835,133**	**26.50**
Decrease resulting from:		
Lower effective tax rate on income of subsidiaries	**(681,997)**	**(6.37)**
Other	**(213,136)**	**(1.99)**
Income tax expense	**$ 1,940,000**	**18.14**

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

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

	2015	2014
Deferred tax assets:		
Unused tax losses	$ 244,103	$ 167,103
Allowances for losses	88,000	171,091
SARs and LTIP liabilities	71,000	60,000
Impairment of assets held for sale	—	129,815
Other	—	273,900
	403,103	801,909
Deferred tax liabilities:		
Lease receivables	(183,000)	(152,000)
Capital assets	(3,000)	(7,000)
Goodwill	—	(307,078)
Other	—	(22,390)
	(186,000)	(488,468)
	$ 217,103	$ 313,441

The tax effects that give rise to the net deferred tax liabilities at December 31 are as follows:

	2015	2014
Deferred tax liabilities:		
Acquired intangibles	$ 396,506	$ 549,026
Goodwill	366,345	—
Assets held for sale	180,000	180,000
Other	22,559	—
	965,410	729,026
Deferred tax assets:		
Allowance for losses	(149,887)	—
Other	(215,489)	—
	(365,376)	—
	$ 600,034	$ 729,026

At December 31, 2015 and 2014, deferred tax liabilities for temporary differences associated with investments in domestic and foreign subsidiaries were not recognized as the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Basic earnings per 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 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 consists entirely of stock options.

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

	2015	2014
Basic weighted average number of common shares outstanding	8,307,713	8,300,760
Effect of dilutive stock options	844	—
Diluted weighted average number of common shares outstanding	8,308,557	8,300,760

For the year ended December 31, 2015, all outstanding options were included in the calculation of diluted shares outstanding because they were not considered to be anti-dilutive for earnings per share purposes. There were no outstanding options at December 31, 2014.

15. Contingent liabilities

(a) In the normal course of business, there is outstanding litigation, the results of which are not expected to have a material effect upon the Company. Pending litigation, or other contingent matters represent potential financial loss to the Company. The Company accrues a potential loss if the Company believes the loss is probable and it can be reasonably estimated. The decision is based on information that is available at the time. The Company estimates the amount of the loss by consulting with the outside legal counsel that is handling the defence. This involves analyzing potential outcomes and assuming various litigation and settlement strategies. At December 31, 2015, the Company's management was not aware of any litigation the aggregate liability from which would materially affect the financial position of the Company.

(b) At December 31, 2015, the Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $481,201

(2014 – $186,005). In addition, at December 31, 2015 and 2014, the Company was contingently liable with respect to a letter of guarantee issued on behalf of a client in the amount of $150,000. These amounts have been considered in determining the allowance for losses on finance receivables and loans.

16. Lease commitments

The Company is committed under operating leases, principally office space leases, which expire between 2016 and 2017. The minimum rental payments under these long-term operating leases, exclusive of certain operating costs and property taxes for which the Company is responsible, are as follows:

2016	$ 444,635
2017	187,397
	$ 632,032

17. Derivative financial instruments

At December 31, 2015, the Company had entered into forward foreign exchange contracts with a financial institution that must be exercised between January 29, 2016 and March 31, 2016 and which oblige the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.3075 to 1.3100. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company will buy Canadian dollars from and sell US$700,000 to the client.

At December 31, 2014, the Company had entered into forward foreign exchange contracts with a financial institution that matured between January 30, 2015 and March 31, 2015 and which obliged the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.1235 to 1.1250. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company bought Canadian dollars from and sold US$700,000 to the client.

The favorable and unfavorable fair values of these contracts were recorded on the Company's consolidated statements of financial position at December 31, 2015 and 2014 in other assets and accounts payable and other liabilities, respectively. The fair values of these contracts were classified as Level 2 under IFRS 7. During 2015, there were no transfers between the three-level fair value hierarchy described in note 3(p).

18. Accumulated other comprehensive income

Accumulated other comprehensive income ("AOCI") solely comprises the unrealized foreign exchange gain (commonly referred to as cumulative translation adjustment) arising on translation of the assets and liabilities of the Company's foreign subsidiaries which report in U.S. dollars. Changes in the AOCI balance during 2015 and 2014 are set out in the consolidated statements of changes in equity.

19. Financial risk management

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

(a) Credit risk

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

In its asset-based lending and credit protection and receivables management operations, credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1.0 million, the Company's President and the Chairman of its Board. Credit in excess of $2.5 million is approved by the Company's Credit Committee, which comprises three independent members of its Board. In its equipment leasing and lending business, transactions up to $75,000 are approved by credit managers, amounts between $75,001 and $250,000 are approved by Varion's general manager or an officer, while amounts over $250,000 are approved by both Varion's general manager and its President. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. In its factoring operations, the Company's primary focus continues to be on the credit-worthiness and collectability of its clients' receivables.

The Company's factoring clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from the invoice date. Of the total managed receivables that the Company guarantees payment, 3.9% were past due more than 60 days at December 31, 2015 (2014 – 2.9%). In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain predetermined age, usually 75 to 90 days from the invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

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

The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases. In its factoring operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's leasing operations, security deposits are usually obtained in respect of each equipment lease or loan.

In its credit protection and receivables management business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. All customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. At December 31, 2015, the Company had not guaranteed any accounts receivable in excess of $10 million for any customer.

The Company's credit exposure relating to its finance receivables and loans by industrial sector was as follows:

	Dec. 31, 2015		
(in thousands)		Gross finance receivables and loans	% of total
Financial and professional services	**$**	**49,996**	**37**
Manufacturing		**38,018**	**28**
Wholesale and distribution		**29,970**	**22**
Other		**17,923**	**13**
	$	**135,907**	**100**

	Dec. 31, 2014		
(in thousands)		Gross finance receivables and loans	% of total
Financial and professional services	$	52,545	38
Manufacturing		35,396	26
Wholesale and distribution		29,866	21
Other		20,302	15
	$	138,109	100

The Company's credit exposure relating to its managed receivables by industrial sector was as follows:

	Dec. 31, 2015		
(in thousands)		Managed receivables	% of total
Retail	**$**	**57,819**	**82**
Wholesale and distribution		**10,623**	**15**
Other		**1,706**	**3**
	$	**70,148**	**100**

	Dec. 31, 2014		
(in thousands)		Managed receivables	% of total
Retail	$	58,454	73
Wholesale and distribution		17,593	22
Other		3,969	5
	$	80,016	100

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, notes payable, due to clients, and accounts payable and other liabilities. Revolving credit lines totalling approximately $137,000,000 have been established at a number of banking institutions, bearing interest varying with the bank prime rate or Libor. At December 31, 2015, the Company had borrowed $54,094,479 (2014 – $63,994,915) against these facilities. These lines of credit are collateralized primarily by finance receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit during 2015 and 2014. Notes payable are due on demand, or in the case of one note, a week after demand, and are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. As at December 31, 2015, 89% (2014 – 89%) of these notes were due to related parties and 11% (2014 – 11%) to third parties. Due to clients principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a week of receipt. Accounts payable and other liabilities comprise a number of different obligations, the majority of which are payable within six months.

At December 31, 2015, the Company had gross finance receivables and loans totalling $135,907,000 (2014 – $138,109,000), which substantially exceeded its total liabilities of $81,494,000 at that date (2014 – $93,292,000). The Company's receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

All assets and liabilities, other than Varion's lease receivables and equipment loans, capital assets, deferred taxes, intangible assets, goodwill, SARs and the LTIP liability are expected to be settled within 12 months at the carrying values stated in the consolidated statements of financial position.

(c) Market risk

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

(i) Currency risk

The Company is exposed to currency risk primarily in its foreign operations which operate in U.S. dollars, to the full extent of the foreign operations net assets of US$26,511,000 at December 31, 2015. The Company's investment in its foreign subsidiaries is not hedged as it is long-term in nature. Unrealized foreign exchange gains or losses arise on translation of the assets and liabilities of the Company's foreign subsidiaries into Canadian dollars each year-end. Resulting foreign exchange gains or losses are credited or charged to other comprehensive income or loss with a corresponding entry to the AOCI component of equity (note 18). The Company is also subject to foreign currency risk on the earnings of its foreign operations which report in U.S. dollars and are unhedged. Based on the foreign operations results for the year ended December 31, 2015, a one cent change in the U.S. dollar against the Canadian dollar would change the Company's annual net earnings by approximately $40,000. It would also change other comprehensive income or loss and the AOCI component of equity by approximately $265,000.

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally finance receivables and loans, cash, bank indebtedness, due to clients and notes payable. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At December 31, 2015, the Company's unhedged foreign currency positions in its Canadian operations totalled $276,000 (2014 – $128,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a 1% change in the value of its unhedged foreign currency positions against the Canadian dollar would not have a material impact on the Company's net earnings.

(ii) Interest rate risk

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

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to a large degree. However, as the Company's finance receivables and loans substantially exceed its floating and short-term fixed rate (usually 30 days) borrowings, the Company is exposed to interest rate risk as a result of the difference, or gap, that exists between interest sensitive assets and liabilities. This gap largely exists because of, and fluctuates with, the quantum of the Company's equity. However, in the Company's leasing business, lease receivables and term loans to clients are usually at fixed effective interest rates, while related bank borrowings are currently at floating rates.

The following table shows the interest rate sensitivity gap at December 31, 2015:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	4 to 5 years	Non-rate sensitive	Total
Assets						
Cash	$ 9,859	$ —	$ —	$ —	$ 2,581	$ 12,440
Finance receivables and loans, net	124,050	4,811	6,736	122	(1,460)	134,259
Assets held for sale	—	—	—	—	1,544	1,544
All other assets	—	377	—	—	5,940	6,317
	133,909	5,188	6,736	122	8,605	154,560
Liabilities						
Due to clients	—	—	—	—	9,402	9,402
Bank indebtedness	(4,033)	58,127	—	—	—	54,094
Notes payable	13,201	—	—	—	—	13,201
All other liabilities	—	932	—	—	3,865	4,797
Equity	—	—	—	—	73,066	73,066
	9,168	59,059	—	—	86,333	154,560
	$124,741	$(53,871)	$ 6,736	$ 122	$(77,728)	$ —

Based on the Company's interest rate positions as at December 31, 2015, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $700,000 over a one-year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

20. Fair values of financial assets and liabilities

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

21. Capital disclosure

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to equity and its equity to total assets. As a percentage, these ratios were 92% (2014 – 132%) and 47% (2014 – 40%), respectively, at December 31, 2015, indicating the Company's continued financial strength and relatively low degree of leverage. The Company's debt and leverage will usually rise with an increase in finance receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at December 31, 2015, AFIC and AFIU are required to maintain a debt to TNW ratio of less than 4.0 on a combined basis. Varion is required to maintain a debt to TNW ratio of less than 3.0. The Company was fully compliant with its banking covenants during 2015 and 2014. There were no changes in the Company's approach to capital management from the previous year.

22. Segmented information

The Company operates and manages its businesses in one dominant industry segment - providing asset-based financial services to industrial and commercial enterprises, principally in Canada and the United States. There were no significant changes to capital assets during 2015 and 2014. For additions to intangible assets and goodwill, which were acquired as part of the Varion purchase and are part of Canadian operations, please refer to notes 8 and 9.

2015 (in thousands)	**Canada**	**United States**	**Inter-company**	**Total**
Identifiable assets	**$ 85,938**	**$ 76,934**	**$ (8,312)**	**$ 154,560**
Revenue	**$ 20,738**	**$ 10,875**	**$ (36)**	**$ 31,577**
Expenses				
Interest	**2,217**	**77**	**(36)**	**2,258**
General and administrative	**12,388**	**5,096**	**—**	**17,484**
Provision for credit and loan losses	**424**	**(49)**	**—**	**375**
Impairment of assets held for sale	**50**	**—**	**—**	**50**
Depreciation	**94**	**42**	**—**	**136**
Business acquisition expenses	**575**	**—**	**—**	**575**
	15,748	**5,166**	**(36)**	**20,878**
Earnings before income tax expense	**4,990**	**5,709**	**—**	**10,699**
Income tax expense	**1,361**	**579**	**—**	**1,940**
Net earnings	**$ 3,629**	**$ 5,130**	**$ —**	**$ 8,759**

2014 (in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 95,766	$ 63,498	$ (4,640)	$ 154,624
Revenue	$ 20,700	$ 9,556	$ (21)	$ 30,235
Expenses				
Interest	2,309	235	(21)	2,523
General and administrative	11,905	4,248	—	16,153
Provision for credit and loan losses	672	(33)	—	639
Depreciation	88	38	—	126
Business acquisition expenses	570	—	—	570
	15,544	4,488	(21)	20,011
Earnings before income tax expense	5,156	5,068	—	10,224
Income tax expense	1,989	1,356	—	3,345
Net earnings	$ 3,167	$ 3,712	$ —	$ 6,879

23. Subsequent events

At February 17, 2016 there were no subsequent events occurring after December 31, 2015 that required disclosure.

Corporate Information

Board of Directors

Ken Hitzig, Toronto, Ontario [2]
David Beutel, Toronto, Ontario [1, 3]
Tom Henderson, Greenville, South Carolina
Gary Prager, Atlanta, Georgia [3]
Robert S. Sandler, White Plains, New York [2, 3]
John J. Swidler, Montreal, Quebec [1]
Stephen D. Warden, Oakville, Ontario [1, 2]

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

Officers

Ken Hitzig, Chairman of the Board
Tom Henderson, President & CEO
Stuart Adair, Senior Vice President, Chief Financial Officer
Jim Bates, Secretary
Fred Moss, Vice President
Simon Hitzig, Vice President

Subsidiaries

Accord Financial Ltd.
Simon Hitzig, President

Accord Financial Inc.
Fred Moss, President

Accord Financial, Inc.
Tom Henderson, President

Accord Equipment Finance (Varion Capital Corp.)
James Jang, President

Auditors

KPMG LLP

Legal Counsel

Stikeman Elliott

Bankers

The Bank of Nova Scotia
Branch Banking and Trust
The Toronto-Dominion Bank
Canadian Imperial Bank of Commerce
HSBC Bank Canada

Stock Exchange Listing

Toronto Stock Exchange
Symbol: ACD

Registrar & Transfer Agent

Computershare Trust Company of Canada

Annual Meeting

The Annual Meeting of Shareholders will be held **Wednesday, May 4th, 2016** at 4:15 pm at The Toronto Board of Trade First Canadian Place, Toronto, Ontario

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