MARCH 31 2005

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ACHIEVEMENT & GROWTH

A CLOSER LOOK AT OUR **First Quarter Report**

Keeping Business Liquid

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A Closer Look Corporate Profiles

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

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

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

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

Principal Strategic Alliances

Liquid Capital is the major franchise factoring operation in Canada. It offers its franchisees a full back office system, credit guarantees and the Liquid Exchange™ - a clearing house whereby its franchisees can purchase or sell approved invoices. Montcap provides Liquid Capital's franchisees with back office processing infrastructure, credit guarantees and funding.

Export Ease™ is a turnkey service that gives Canadian exporters all-inclusive receivables insurance, reporting and management. The service is offered in partnership with Export Development Canada (EDC), and takes advantage of Accord's global network to provide effective, professional, receivables management.

Export Ease Plus™ is a credit management program enabling qualified exporters to discount their eligible foreign receivables and turn them into immediate cash. The program combines EDC's accounts receivable insurance with receivables management and discounting – or factoring – from Montcap.

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

Table of Contents

Corporate Profiles	inside front cover
Letter to the Shareholders	1
Management's Discussion and Analysis	2
Consolidated Balance Sheets and Notice to Reader	8
Consolidated Statements of Earnings	9
Consolidated Statements of Retained Earnings	9
Consolidated Statements of Cash Flows	10
Notes to the Consolidated Financial Statements	11

A Closer Look Letter to the Shareholders

Enclosed is the first quarter report for the three months ended March 31, 2005 together with comparative figures for the same period of 2004. This report has not been reviewed by the Company's auditors, but has been reviewed and approved by the Company's Audit Committee and Board of Directors.

Our clients did less shipping and borrowed less money from us in the first quarter this year compared with last year. We lost some clients, a normal part of the business, and while we were able to put on some new clients, the new volume did not make up for that lost. As a result, factoring volume declined to $320 million in 2005 from the record $357 million achieved in 2004, and outstanding factored receivables and loans at March 31, 2005 were $67.7 million compared with $80.0 million a year earlier. This led to a decline in revenue to $5,868,000 in the first quarter of 2005 from $6,502,000 for the same period of 2004. Interest expense was lower than last year, while general and administrative expenses, including depreciation, were practically unchanged. The provision for credit and loan losses fell by almost 50% to $329,000 from $639,000 last year.

Net earnings declined to $1,134,000 from $1,317,000 in the first quarter of 2004. Diluted earnings per share were 11 cents in 2005 compared with 13 cents in 2004.

While the Company would have liked to report an improved performance this quarter, it is not unusual in our industry to go through cyclical business conditions. In Accord's case, we saw the number of "graduating" clients exceed the number of new clients coming on board. We have a number of marketing initiatives under way, and we continue to look to introduce new financial and credit services. We expect that this downturn will be short-lived.

The Board of Directors declared a regular quarterly dividend of 4.5 cents per share, payable June 1, 2005 to shareholders of record May 13, 2005.

Ken Hitzig
President

Toronto, Ontario
April 28, 2005

A CLOSER LOOK

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

Three months ended March 31, 2005 compared with three months ended March 31, 2004

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 three months ended March 31, 2005 compared with March 31, 2004. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A should be read in conjunction with the Company's interim unaudited consolidated financial statements (the "Statements") and notes for the above noted periods, which are included as part of this 2005 First Quarter Report and as an update in conjunction with the discussion and analysis and audited consolidated financial statements and notes included in the Company's 2004 Annual Report. Additional information pertaining to the Company, including its Annual Information Form, is filed with SEDAR at www.sedar.com. Where possible, issues have been identified that may impact future results.

All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

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. Please refer to the Risks and Uncertainties section later in this MD&A.

Accord is a leading North American provider of a wide range of factoring and other asset-based financial services to businesses, including lending, financing, collection services, credit investigation, credit protection and guarantees. Its clients operate in many industries, including apparel, automotive, temporary staffing, telecommunications, textiles, food products, furniture, sporting goods, leisure products, transportation, footwear, floor coverings, financial services, oilfield services and industrial products.

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

The Company operates three factoring companies in North America, namely, in Canada, Accord Business Credit Inc. ("ABC") and Montcap Financial Corporation ("MFC"), and, in the United States, Accord Financial, Inc. ("AFI"). ABC has been in operation since 1978. MFC and AFI were acquired in 1992.

The Company's business involves (i) recourse factoring (MFC and AFI), primarily financing or purchasing receivables on a recourse basis for some of its clients, as well as financing other tangible assets, such as inventory and equipment, and (ii) non-recourse factoring (ABC), primarily providing credit guarantees and collection services on a non-recourse basis, generally without financing, for other clients.

Results of Operations

Quarter ended March 31, 2005 compared with quarter ended March 31, 2004

Net earnings declined by 14% to $1,134,000 in the quarter ended March 31, 2005 compared to $1,317,000 in the first quarter of 2004. The decrease in net earnings resulted from a 10% decline in revenue and factoring volume. Diluted earnings per common share were 11 cents for the quarter compared to 13 cents last year. It is noted that as a result of paying a special dividend of $14.6 million on July 2, 2004, net earnings for the current quarter were approximately $110,000 lower than they would otherwise have been had the dividend not been paid (interest expense was approximately $175,000 higher than it would otherwise have been).

Factoring volume for the quarter declined by 10% to $320 million compared to the record first quarter volume of $357 million achieved last year. Recourse factoring volume fell by 13%, while non-recourse factoring volume fell by 8% compared to the first quarter of 2004. The decrease in volume resulted from client turnover which was not fully replaced and lower shipping volumes by the Company's clients compared to the record levels in the first quarter of 2004. Client turnover is normal in this highly competitive industry as clients regularly seek out alternative sources of financing such as those offered by Tier 1 financial institutions and this can adversely impact results from one quarter to the next. As a result of the volume decline, revenue decreased by 10% to $5,868,000 in the first quarter compared with $6,502,000 last year.

Selected Annual Information

(in thousands of dollars, except per share data)

	2004	2003	2002
Revenue	$ 27,418	$ 26,214	$ 26,235
Net earnings	7,624	5,839	4,649
Earnings per share			
Basic	$ 0.78	$ 0.61	$ 0.49
Diluted	0.76	0.61	0.49
Dividends per share	1.68*	0.16	0.14
Total assets	$ 73,263	$ 74,699	$ 71,255

* 2004 includes a special dividend of $1.50 per share

Quarterly Financial Information

(unaudited, in thousands of dollars)

Quarter ended		Revenue	Net Earnings	Diluted Earnings Per Share
2005	March 31	$ 5,868	$ 1,134	$ 0.11
2004	December 31	$ 7,194	$ 2,771	$ 0.27
	September 30	6,948	1,698	0.17
	June 30	6,774	1,838	0.18
	March 31	6,502	1,317	0.13
	Total	$ 27,418	$ 7,624	$ 0.76*
2003	December 31	$ 7,159	$ 2,052	$ 0.21
	September 30	6,577	1,539	0.16
	June 30	6,281	1,119	0.12
	March 31	6,197	1,129	0.12
	Total	$ 26,214	$ 5,839	$ 0.61

*Due to rounding, the sum of the quarterly diluted earnings per share does not equal the total for 2004.

Total expenses for the quarter decreased by $374,000 or 8% to $4,110,000 compared to $4,484,000 last year. There was a $309,000 decrease in the provision for credit and loan losses, which totalled $329,000 in the quarter, and a $67,000 decrease in interest expense, which totalled $244,000. General and administrative ("G&A") expenses increased by $15,000 to $3,452,000, while depreciation declined by $13,000 to $84,000. The Company's total portfolio of receivables, which normally grows in the first quarter, did not do so to the same extent that it did last year due to the lower volume of business conducted. Consequently, the increase in the total allowances for losses was significantly lower than last year, and, as a result, the related provision for credit and loan losses decreased significantly also. Interest expense declined as borrowings (bank indebtedness and notes payable) were lower than the first quarter of 2004. It is noted that interest expense would have been approximately $175,000 lower still had the special dividend of $14.6 million not been paid on July 2, 2004. G&A expenses at the Company are relatively stable and largely comprise personnel costs and other overheads. Increased G&A expenses at our MFC subsidiary, which is in a period of growth, were offset by lower expenses in our U.S. operation.

Canadian operations reported weaker results in the first quarter of 2005 compared to 2004 (see note 8 to the Statements). Revenue declined by $486,000 or 10% to $4,345,000 on the volume decrease, while expenses, including income tax expense, declined by $214,000 or 5% to $3,683,000. The decrease in expenses resulted from a $182,000 decline in the provision for credit and loan losses for the reasons noted above and a $132,000 decrease in income tax expense due to lower pre-tax earnings. G&A and depreciation expenses rose by $76,000 or 3% as MFC's operations continued to grow. Overall, net earnings from Canadian operations declined by $272,000 to $662,000 in the first quarter compared to $934,000 last year on the decline in revenue.

U.S. operations reported improved results this quarter. Revenue was relatively constant at $1,684,000. Although volume declined in the U.S., AFI's revenue included increased interest earned on loans to its parent. Revenue was impacted this quarter by the decline in the U.S. dollar against the Canadian dollar compared to the first quarter of 2004. In U.S. dollars, however, AFI's revenue actually increased by 7%. Expenses, including income tax expense, decreased by $88,000 or 7% to $1,212,000 in the current quarter in part due to the weaker U.S. dollar. The provision for credit and loan losses declined by $127,000 to a recovery of $3,000, while G&A and depreciation expenses declined by $74,000. These decreases were partially offset by a $58,000 increase in interest expense, as U.S. borrowings rose, and a $55,000 increase in income tax expense on higher pre-tax earnings. Net earnings from U.S. operations increased by 23% to $472,000 in the current quarter compared to $383,000 last year.

Review of Balance Sheet

Shareholders' equity at March 31, 2005 totalled $35,861,000, a decline of $10,501,000 compared to $46,362,000 at March 31, 2004 but $869,000 above the $34,992,000 at December 31, 2004. Book value per share declined by $1.14 to $3.63 at March 31, 2005 compared to $4.77 a year earlier but was above the $3.54 at December 31, 2004. The decrease in shareholders' equity and book value per share since March 31, 2004 largely resulted from the payment of a special dividend totalling $14,641,000 ($1.50 per common share) on July 2, 2004.

Total assets at March 31, 2005 declined to $72,925,000 compared to $83,813,000 at March 31, 2004 and $74,045,000 at December 31, 2004. Total assets largely comprised factored receivables and loans. Excluding inter-company loans, identifiable assets located in the United States were 32% of total assets at March 31, 2005 compared with 34% at March 31, 2004.

Gross factored receivables and loans, before the allowance for losses, totalled $68,847,000 at March 31, 2005, a 15% decrease compared to $81,431,000 at March 31, 2004 and 5% below the $72,250,000 at December 31, 2004 (see note 4 to the Statements). Factored receivables and loans, net of allowances, were $67,680,000 at March 31, 2005 compared to $80,000,000 at March 31, 2004 and $71,136,000 at

December 31, 2004. Factored receivables and loans principally represent advances made by our recourse factoring subsidiaries MFC and AFI. As noted above, factored receivables and loans have decreased largely as a result of client turnover not being fully replaced and lower shipping volume by the Company's clients compared to the record volume conducted in the first quarter of 2004.

The Company also contracts with other clients to assume the credit risk associated with respect to their receivables without financing them. Since the Company does not take title to these receivables, they do not appear on its balance sheet. These "managed" receivables totalled $122 million at March 31, 2005 compared to $137 million at March 31, 2004 and $114 million at December 31, 2004 (see note 4 to the Statements). Managed receivables comprised the non-recourse receivables of ABC's clients.

The Company's total portfolio of receivables, which comprises gross factored receivables and loans and managed receivables, totalled $191 million at March 31, 2005 compared with $219 million at March 31, 2004 and $186 million at December 31, 2004.

The Company's allowance for losses on gross factored receivables and loans decreased to $1,167,000 at March 31, 2005 compared to $1,431,000 at March 31, 2004 and $1,114,000 at December 31, 2004. The 18% decrease in the allowance since March 31, 2004 largely resulted from the 15% decline in gross factored receivables and loans since then.

The allowance for losses relating to the guarantee of managed receivables declined to $838,000 at March 31, 2005 compared to $956,000 at March 31, 2004 and $782,000 at December 31, 2004. The 12% decrease in allowance since March 31, 2004 was similar to the percentage decline in managed receivables since then. As the managed receivables are off balance sheet, this liability is included as a component of accounts payable and other liabilities.

Credit risk relating to both the Company's recourse and non-recourse businesses is managed in a variety of ways. In this regard, please refer to pages 20 and 21 of the Company's 2004 Annual Report.

Cash at March 31, 2005 was $2,325,000 compared with $301,000 at March 31, 2004 and $222,000 at December 31, 2004. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. However, due to the large volume of cash being processed daily, it is necessary that a certain amount of cash be held to fund daily requirements.

Income taxes receivable totalled $371,000 at March 31, 2005 compared with $519,000 at March 31, 2004 and income taxes payable of $308,000 at December 31, 2004. Income taxes receivable usually represent the excess of income tax installments paid over the Company's income tax expense.

Changes in other assets, net future income taxes, capital assets and goodwill were not significant.

Total liabilities at March 31, 2005 were $37,064,000 compared to $37,451,000 at March 31, 2004 and $39,053,000 at December 31, 2004.

Bank indebtedness at March 31, 2005 was $18,653,000 compared to $27,629,000 at March 31, 2004 and $15,608,000 at December 31, 2004. The $8,976,000 decline since March 31, 2004 largely results from a combination of cash generated from the decrease in gross factored receivables and loans, retained earnings and the issue of notes payable. These cash inflows were partially offset by funds used to pay the special dividend last July. Bank indebtedness increased this quarter as $4,897,000 of notes payable were redeemed.

Amounts due to clients increased to $6,773,000 at March 31, 2005 compared to $2,543,000 at March 31, 2004 and $5,532,000 at December 31, 2004. Amounts due to clients principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections a day or two after receipt.

Accounts payable and other liabilities totalled $3,769,000 at March 31, 2005 compared to $3,708,000 at March 31, 2004 and $4,920,000 at December 31, 2004. Accounts payable and other liabilities includes $1,534,000 at March 31, 2005 in respect of the fair value of certain foreign exchange contracts (see Financial Instruments section below and note 10 to the Statements). It also includes the above noted allowance for losses on the guarantee of managed receivables.

Changes in deferred income were not significant.

Notes payable totalled $6,881,000 at March 31, 2005 compared to $2,456,000 at March 31, 2004 and $11,778,000 at December 31, 2004 (see Related Party Transactions section below). In the third quarter of 2004, $10 million of notes were issued to a major shareholder of the Company, while $5 million of these notes were redeemed this quarter explaining most of the above noted changes.

Capital stock totalled $5,659,000 at March 31, 2005 compared to $5,011,000 at March 31, 2004 and $5,659,000 at December 31, 2004. Since March 31, 2004, 154,000 common shares have been issued pursuant to the exercise of employee stock options for proceeds of $633,000. In addition, in the third quarter of 2004, $15,000 was transferred to capital stock from contributed surplus for an overall increase

in capital stock of $648,000. At March 31, 2005 and December 31, 2004 there were 9,875,571 common shares outstanding compared with 9,721,571 at March 31, 2004. Details of the Company's stock options are set out in note 10 to the Company's 2004 audited financial statements.

Contributed surplus totalled $210,000 at March 31, 2005 compared to $155,000 at March 31, 2004 and $194,000 at December 31, 2004. This account comprises the cumulative stock-based compensation expense charged to G&A expenses plus the $129,000 transitional adjustment to reflect the change in method of accounting for stock-based compensation in 2004 less any amounts subsequently transferred to capital stock upon the exercise of stock options. During the current quarter, stock-based compensation expense of $16,000 was credited to contributed surplus compared to $26,000 last year.

Retained earnings totalled $33,254,000 at March 31, 2005 compared to $42,226,000 at March 31, 2004 and $32,564,000 at December 31, 2004. For the current quarter, retained earnings increased by $690,000, which was comprised of net earnings of $1,134,000 less dividends paid of $444,000. In the first quarter of 2004, retained earnings increased by $752,000 to $42,226,000. This increase was comprised of net earnings of $1,317,000 less dividends paid of $436,000 and less $129,000 transferred to contributed surplus. Please refer to the Consolidated Statements of Retained Earnings on page 9 of this Report.

The cumulative translation adjustment component of shareholders' equity was negative $3,261,000 at March 31, 2005 compared to negative $1,030,000 at March 31, 2004 and negative $3,425,000 at December 31, 2004. The $2,231,000 decline since March 31, 2004 reduced the Company's book value per outstanding common share by approximately 23 cents. The significant decrease since March 31, 2004 was caused by the impact of the decline in the U.S. dollar against the Canadian dollar on the Company's net investment in its U.S. subsidiary of approximately US$23 million.

Liquidity and Capital Resources

The Company's financing and capital requirements generally increase proportionately with the level of factored receivables and loans outstanding. The collection period and resulting turnover of outstanding receivables also impact financing needs. In addition to cash flow generated from operations, the Company's subsidiaries maintain bank lines of credit in Canada and the United States. Bank borrowings are usually margined as a percentage of outstanding factored receivables and loans. The Company is also able to raise funds through its notes payable program.

The Company had credit facilities totalling approximately $68,000,000 at March 31, 2005 and had borrowed $18,653,000 against these facilities. In 2004, funds generated through notes payable and from operations decreased the usage of, and dependence on, the Company's bank lines.

As noted in the Review of Balance Sheet section above, the Company had cash of $2,325,000 as at March 31, 2005 compared to $301,000 as at March 31, 2004. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

Cash inflow from operating activities before changes in non-cash operating items totalled $1,456,000 in the current quarter compared with $2,136,000 in the same quarter last year. After changes in non-cash operating items are taken into account, net cash inflow from operating activities was $4,265,000 for the quarter, compared with a net cash outflow of $9,956,000 last year. The cash inflow in the current quarter largely resulted from cash earnings and a $3,403,000 decrease in gross factored receivables and loans as the Company's business declined somewhat. In the first quarter of 2004, the significant outflow resulted from the $10,870,000 increase in gross factored receivables and loans as the Company's business grew. Changes in other non-cash operating items are discussed above and are set out in the Company's Consolidated Statements of Cash Flows on page 10 of this Report.

Cash outflows from investing activities, namely, net capital expenditures, totalled $22,000 in the current quarter compared to $69,000 in the first quarter of 2004.

Net cash outflow from financing activities for the current quarter totalled $2,297,000 compared to a net cash inflow of $7,474,000 last year. In the current quarter, notes payable of $4,897,000 were redeemed and dividends of $445,000 paid, while bank indebtedness increased by $3,045,000. In the first quarter of 2004, bank indebtedness rose by $7,584,000 and 72,000 common shares were issued for proceeds of $351,000, while dividends of $436,000 were paid and notes payable of $25,000 redeemed.

The effect of change from translation in the current quarter comprised a $156,000 increase compared to a $290,000 increase last year.

In total, there was a $2,102,000 increase in cash balances in the current quarter compared to a $2,261,000 decrease last year.

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 and dividend payments and provide sufficient liquidity and capital resources for future growth.

Contractual Obligations and Commitments at March 31, 2005

(in thousands)	Payments due in Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Operating lease obligations	$ 365	$ 521	$ 150	$ 289	$ 1,325
Purchase obligations	233	—	—	—	233
Total	$ 598	$ 521	$ 150	$ 289	$ 1,558

Related Party Transactions

As noted above, the Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand and bear interest at bank prime rate less one half of one percent per annum, which is below the rate of interest the Company borrows from its banks. Notes payable at March 31, 2005 increased to $6,881,000 compared with $2,456,000 at March 31, 2004. The increase principally resulted from substantial funds received in the third quarter of 2004 from a major shareholder of the Company, part of which was repaid in the current quarter. Interest expense on these notes in the current quarter was $96,000 (2004 - $23,000).

At March 31, 2005, the Company had advanced $594,000 (2004 – $50,000) to Liquid Capital Corp. ("LCC") to help fund its expansion into the U.S. market. This receivable is included in the total of factored receivables and loans. The Company owns a 25% interest in LCC.

Financial Instruments

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

In order to manage its foreign exchange exposure on a US$9,000,000 loan payable, the Company entered into forward foreign exchange contracts (the "Contracts") with a financial institution in 2004 that oblige the Company to sell Canadian dollars and buy US$9,000,000 between June 15, 2005 and June 15, 2007 at exchange rates ranging from 1.387 to 1.398. As a result of entering into the Contracts, the Company will not be economically exposed to any foreign exchange gains or losses on the loan (refer to note 10 to the Statements).

Critical Accounting 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:

a) the allowance for credit and loan losses on both its factored receivables and loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts which, in management's judgement, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic trends, condition of the loan and receivable portfolios and typical industry loss experience. These estimates are particularly judgemental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency. Management believes that its allowances for losses are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change.

b) 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 as was experienced in 2003 and 2002. We are not aware of any significant claims currently outstanding.

Adoption of New Accounting Policy

The Company adopted The Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15 ("AcG-15) on the consolidation of variable interest entities ("VIE") on January 1, 2005. VIE include entities where the equity invested is considered insufficient to finance the entity's activities. Under this new guideline, the Company will be required to consolidate VIE if the investments it holds in these entities and/or the relationships it has with them results in exposure to a majority of their expected losses, being able to benefit from a majority of their expected residual returns, or both, based on a calculation determined by the standard setters. We have reviewed our investment in LCC and determined it not to be, at this time, a variable interest entity that requires consolidation.

Outlook

The Company's principal objective is managed growth – putting quality new business on the books while maintaining high standards of credit. Recent marketing initiatives and alliances are continuing to bear fruit. Export Ease, our export factoring program, and our association with LCC have been producing growth. In 2002, MFC entered into a referral program with Bank of Nova Scotia, which was expanded in early 2004 to include an export factoring program to the bank's existing customers and future referrals. Our U.S. operation is starting to see increased growth and

deal flow as the U.S. economy improves. In addition, it is looking to do participations with other factoring and finance companies and also expects to benefit from LCC's expansion into the United States by providing back office support and financing to LCC's U.S. franchisees. Through experienced management and staff, coupled with its financial resources, the Company is well positioned to meet increased competition and develop new opportunities. We continue to look to introduce new financial and credit services to fuel growth in a very competitive and challenging environment. Finally, we continue to seek promising companies and loan portfolios to acquire.

Risks and Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance. Although management remains optimistic about the Company's long-term prospects, future results are subject to substantial risks and uncertainties. These include, but are not limited to, the following items:

Competition

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

Economic slowdown

The Company operates in Canada and the United States. In recent years, the economic environment in the U.S. has been relatively weak and we are just starting to see a turnaround in economic performance there and in our U.S. subsidiary. Economic weakness in either of the Company's markets affects our ability to do new business as quality prospects become limited. Further, our clients and their customers are often adversely affected by economic slowdowns and this can lead to increases in the Company's provision for credit and loan losses.

Credit risk

The Company is in the business of factoring and guaranteeing its clients' receivables and making asset-based loans. The Company's portfolio totalled approximately $191 million at March 31, 2005. Operating results may be adversely affected by significant bankruptcies and/or insolvencies.

Interest rate risk

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

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources are held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and to attempt to neutralize the impact of foreign exchange movements on its operating results where possible. In recent years, the Company has seen the weakening of the U.S. dollar against the Canadian dollar affect its operating results upon the translation of our U.S. subsidiary's results into Canadian dollars. As discussed above, it has also caused a decrease in the value of the Company's net Canadian dollar investment in its U.S. subsidiary, which has reduced the cumulative translation adjustment component of shareholders' equity.

Potential acquisitions and investments

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

Personnel significance

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

Stuart Adair
Chief Financial Officer

Toronto, Ontario
April 28, 2005

NOTICE TO READER Management has prepared these interim unaudited consolidated financial statements and notes and is responsible for the integrity and fairness of the financial information presented therein. They have been reviewed and approved by the Company's Audit Committee and Board of Directors. The Company's auditors have not reviewed or audited these interim unaudited consolidated financial statements.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31 2005	March 31 2004	December 31 2004 (Audited)
Assets			
Factored receivables and loans, net	$ 67,679,875	$ 80,000,402	$ 71,135,524
Cash and equivalents	2,324,929	301,158	222,441
Income taxes receivable	370,950	519,430	—
Other assets	165,821	257,134	159,776
Future income taxes, net	119,770	230,930	209,554
Capital assets	1,099,949	1,242,756	1,162,045
Goodwill	1,163,268	1,261,073	1,155,960
	$ 72,924,562	$ 83,812,883	$ 74,045,300
Liabilities			
Bank indebtedness	$ 18,652,832	$ 27,629,192	$ 15,607,800
Due to clients	6,773,445	2,542,893	5,531,560
Accounts payable and other liabilities	3,769,409	3,707,844	4,920,228
Income taxes payable	—	—	307,525
Deferred income	987,034	1,114,539	907,998
Notes payable	6,880,920	2,456,443	11,778,118
	37,063,640	37,450,911	39,053,229
Shareholders' equity			
Capital stock	5,658,757	5,010,760	5,658,757
Contributed surplus	209,941	155,240	193,763
Retained earnings	33,253,553	42,225,641	32,564,053
Cumulative translation adjustment	(3,261,329)	(1,029,669)	(3,424,502)
	35,860,922	46,361,972	34,992,071
	$ 72,924,562	$ 83,812,883	$ 74,045,300
Common shares outstanding	9,875,571	9,721,571	9,875,571

CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

Three months ended March 31

	2005	2004
Revenue		
Factoring commissions, discounts, interest and other income	$ 5,867,576	$ 6,501,844
Expenses		
Interest	244,270	310,848
General and administrative	3,452,205	3,436,860
Provision for credit and loan losses	329,480	638,815
Depreciation	83,720	97,258
	4,109,675	4,483,781
Earnings before income tax	1,757,901	2,018,063
Income tax expense	624,000	701,000
Net earnings	$ 1,133,901	$ 1,317,063
Earnings per common share		
Basic	$ 0.11	$ 0.14
Diluted	$ 0.11	$ 0.13
Weighted average number of common shares		
Basic	9,875,571	9,690,539
Diluted	10,112,239	9,847,424

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

Three months ended March 31

	2005	2004
Retained earnings at January 1	$ 32,564,053	$ 41,473,847
Adjustment to reflect change in method of accounting for stock-based compensation	—	(129,283)
Net earnings	1,133,901	1,317,063
Dividends paid	(444,401)	(435,986)
Retained earnings at March 31	$ 33,253,553	$ 42,225,641

Consolidated Statements of Cash Flows (unaudited)

Three months ended March 31

	2005	2004
Cash provided by (used in)		
Operating activities		
Net earnings	$ 1,133,901	$ 1,317,063
Items not affecting cash		
Allowances for losses, net of charge-offs and recoveries	53,000	519,000
Deferred income	79,036	198,956
Depreciation	83,720	97,258
Future income tax expense	89,784	(22,541)
Stock-based compensation expense	16,178	25,957
	1,455,619	2,135,693
Change in non-cash operating items		
Factored receivables and loans, gross	3,402,649	(10,869,861)
Due to clients	1,241,885	(1,766,654)
Income taxes receivable/payable	(678,475)	(29,582)
Other assets	(6,045)	(30,276)
Accounts payable and other liabilities	(1,150,819)	605,010
	2,809,195	(12,091,363)
	4,264,814	(9,955,670)
Investing activities		
Additions to capital assets, net	(21,624)	(69,347)
Financing activities		
Bank indebtedness	3,045,032	7,584,350
Notes payable redeemed, net	(4,897,198)	(25,264)
Issuance of shares	—	350,850
Dividends paid	(444,401)	(435,986)
	(2,296,567)	7,473,950
Effect of change from translation	155,865	290,351
Increase (decrease) in cash	2,102,488	(2,260,716)
Cash at beginning of period	222,441	2,561,874
Cash at end of period	$ 2,324,929	$ 301,158
Supplemental cash flow information		
Interest paid	$ 255,769	$ 372,908
Income taxes paid	$ 1,214,809	$ 741,908

1. Description of the business

Accord Financial Corp. (the "Company"), through its subsidiaries, is engaged in providing factoring and other asset-based financial services, including lending, financing, credit investigation, guarantees and receivables collection to industrial and commercial enterprises, principally in Canada and the United States of America.

2. Basis of presentation

These interim unaudited consolidated financial statements (the "Statements") have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to interim financial statements, applied on a consistent basis. Accordingly, they do not include all of the information and footnotes required for compliance with GAAP in Canada for annual audited financial statements. These Statements and notes should be read in conjunction with the audited financial statements and notes included in the Company's Annual Report for the fiscal year ended Dec. 31, 2004. The accounting policies adopted for the preparation of these Statements are the same as those applied for the Company's annual audited financial statements for the fiscal year ended Dec. 31, 2004, except for the adoption of the new accounting policy noted below.

The preparation of these Statements and the accompanying unaudited notes requires management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these Statements reflect all adjustments necessary to state fairly the results for the periods presented. Actual results could vary from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

3. Significant accounting policies and adoption of new accounting policy

a) *Consolidation of variable interest entities*

Effective January 1, 2005, the Company adopted The Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15 ("AcG-15) on the consolidation of variable interest entities ("VIE"). VIE include entities where the equity invested is considered insufficient to finance the entity's activities. Under this new guideline, the Company will be required to consolidate VIE if the investments it holds in these entities and/or the relationships it has with them results in exposure to a majority of their expected losses, being able to benefit from a majority of their expected residual returns, or both, based on a calculation determined by the standard setters. We have reviewed our investment in Liquid Capital Corp. and determined it not to be, at this time, a variable interest entity that requires consolidation.

b) *Basis of consolidation*

These financial statements consolidate the accounts of the Company and its subsidiaries, namely, in Canada, Accord Business Credit Inc. ("ABC") and Montcap Financial Corporation ("MFC"), and, in the United States of America, Accord Financial, Inc. ("AFI"). Inter-company balances and transactions are eliminated upon consolidation.

c) *Accounting estimates*

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

d) *Revenue recognition*

Revenue principally comprises factoring commissions from our recourse and non-recourse factoring businesses. Factoring commissions are calculated as a discount percentage of the gross amount of the factored invoice. These commissions are recognized as revenue at the time of the factoring. A portion of the revenue is deferred and recognized over the period when costs are being incurred in collecting the receivables. Additional factoring commissions are charged on a per diem basis if the invoice is not paid on due date.

Interest charges on loans are recognized in revenue on an accrual basis. Other revenue, such as due diligence fees, documentation and commitment fees are recognized as revenue when earned.

e) *Allowances for losses*

Allowances for credit and loan losses are maintained at amounts which, in management's judgement, are sufficient to cover losses on factored receivables, portfolio loans and guarantees undertaken by the Company on its clients' behalf. These amounts are based upon several considerations including current economic trends, condition of the loan and receivable portfolios and typical industry loss experience.

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

f) *Foreign subsidiaries*

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

4. Factored receivables and loans

(in thousands)	Mar. 31, 2005	Mar. 31, 2004	Dec. 31, 2004
Factored receivables	$ 52,297	$ 65,947	$ 55,491
Loans to clients	16,550	15,484	16,759
Gross factored receivables and loans	68,847	81,431	72,250
Less allowance for losses	1,167	1,431	1,114
Net factored receivables and loans	$ 67,680	$ 80,000	$ 71,136
Managed receivables	$ 122,334	$ 137,317	$113,894

The Company has also entered into agreements with certain clients whereby it has assumed the credit risk with respect to the majority of those clients' receivables ("managed receivables"). Management has provided an amount of $838,000 (2003 - $956,000) as an allowance for losses on the guarantee of these managed receivables. As these managed receivables are off-balance sheet, this liability has been included in the total of accounts payable and other liabilities at March 31, 2005.

5. Income taxes

The Company provides for income taxes in its interim unaudited consolidated financial statements based on the estimated effective tax rate for the full fiscal year in those jurisdictions in which the Company and its subsidiaries operate.

6. Stock-based compensation

The Company accounts for employee stock option grants using the fair value based method pursuant to the provisions of CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments" ("CICA 3870"). Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period. Details of the Company's stock option plans are described in note 10 to the Company's 2004 audited consolidated financial statements included in its 2004 Annual Report. Stock options are granted to employees at the then market value of the shares on the date of grant. These options vest over a period of three years provided certain earnings criteria are met. The Company utilizes the Black-Scholes option-pricing model to estimate the fair value of stock options on the date the options are granted.

During the quarters ended March 31, 2005 and 2004, no stock options were granted to employees. The stock-based compensation expense recorded in general and administrative expenses for the quarter ending March 31, 2005 was $16,178 (2004 - $25,957) with a corresponding credit to contributed surplus. This expense pertains to options granted subsequent to January 1, 2002, the date CICA 3870 became effective, and for which those grants' vesting period includes, in whole or in part, the three months ended March 31, 2005.

7. Weighted average number of common shares outstanding

Basic earnings per common share have been calculated based on the weighted average number of common shares outstanding in the period without the inclusion of dilutive effects. Diluted earnings per common share are calculated based on

the weighted average number of common shares plus dilutive common share equivalents outstanding in the period which, in the Company's case, consist entirely of stock options. The following is a reconciliation of common shares used in the calculations:

Three months ended March 31

	2005	2004
Basic weighted average number of common shares outstanding	9,875,571	9,690,539
Effect of dilutive stock options	236,668	156,885
Diluted weighted average number of common shares outstanding	10,112,239	9,847,424

No options were considered to be anti-dilutive for earnings per common share purposes in either of the above noted periods.

8. Segmented information

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

Three months ended March 31, 2005

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 49,855	$ 35,954	$ (12,884)	$ 72,925
Revenue	$ 4,345	1,684	$ (161)	$ 5,868
Expenses				
Interest	344	61	(161)	244
General and administrative	2,613	839	—	3,452
Provision for credit and loan losses	333	(3)	—	330
Depreciation	71	13	—	84
Income tax expense	322	302	—	624
	3,683	1,212	(161)	4,734
Net earnings	$ 662	$ 472	$ —	$ 1,134

Three months ended March 31, 2004

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 55,321	$ 29,734	$ (1,242)	$ 83,813
Revenue	$ 4,831	$ 1,683	$ (12)	$ 6,502
Expenses				
Interest	320	3	(12)	311
General and administrative	2,525	912	—	3,437
Provision for credit and loan losses	515	124	—	639
Depreciation	83	14	—	97
Income tax expense	454	247	—	701
	3,897	1,300	(12)	5,185
Net earnings	$ 934	$ 383	$ —	$ 1,317

9. Contingent liabilities

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.

10. Financial instruments

As at March 31, 2005, the Company had entered into forward foreign exchange contracts with a financial institution that mature between June 15, 2005 and June 15, 2007 and oblige the Company to sell Canadian dollars and buy US$9,000,000 at exchange rates ranging from 1.387 to 1.398. The contracts were entered into by the Company for the purpose of managing its exposure on a US$9,000,000 loan. The Company has recognized an unrealized loss of $1,533,600 on the contracts up to March 31, 2005, which represents the fair value of these derivative financial instruments as at that date, while it also recognized a gain on its U.S. dollar loan payable in the same amount. Overall, there was no impact on the Company's earnings. The liability related to the unrealized loss is included in the total of accounts payable and other liabilities at March 31, 2005.

11. Comparative figures

Certain 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2005.

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