SEPTEMBER 30 2005

PLANNING FOR FURTHER

ACHIEVEMENT & GROWTH

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

A Closer Look Letter to the Shareholders

Enclosed are the results for the third quarter and nine month periods ended September 30, 2005 together with comparative figures for the same periods last year. 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.

Factoring volume in the third quarter was $402 million, compared with last year's record $419 million. Total revenue declined to $6,691,000 from $6,948,000 last year. Our asset-based lending business continued its growth; net outstandings rose from $75.6 million at June 30, 2005 to a record-high of $87.7 million at September 30, 2005. As a result, we borrowed more to support this activity, and interest cost climbed to $510,000 in the third quarter compared with $305,000 in the same quarter last year. In addition, we needed more credit and loan loss reserves; these were up by $437,000 in the current quarter versus an increase last year of $220,000. Our actual net write-off experience improved from last year's third quarter; net write-offs fell to $221,000 compared with $355,000 in 2004. The total provision for credit and loan losses (reserves and net write-offs) came to $658,000 in the third quarter compared with $575,000 in the third quarter of 2004. General and administrative expenses totaled $3,895,000 in the current quarter versus $3,394,000 in the same quarter last year. Almost all of the increase resulted from the cost of consolidating the Company's Montreal operations (see note 8 to the third quarter financial statements).

Net earnings for the quarter were $1,000,000 (10 cents per diluted share) compared with earnings in the same quarter last year of $1,698,000 (17 cents per diluted share).

Factoring volume for the first nine months of 2005 was $1,055 million compared with last year's record of $1,131 million. Total revenue was $19,113,000, down 5% from $20,224,000 in 2004. Interest, general and administrative expenses and the provision for credit and loan losses were all higher in 2005. Net earnings for the nine months ended September 30, 2005 were $3,415,000, or 34 cents per diluted share, compared with net earnings of $4,853,000 for the comparable period last year, or 49 cents per diluted share.

On August 5, 2005, the Company commenced a Normal Course Issuer Bid (the "Bid") to repurchase up to 497,278 of its common shares. To September 30, 2005, the Company had repurchased 25,500 of its common shares at an average price of $7.05 pursuant to the terms of the Bid.

At a meeting of the Board of Directors yesterday, a regular quarterly dividend of 4.5 cents per common share was declared, payable December 1, 2005 to shareholders of record November 15, 2005.

Ken Hitzig
President

Toronto, Ontario
October 27, 2005

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

Quarter and nine months ended September 30, 2005 compared with quarter and nine months ended September 30, 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 quarter and nine months ended September 30, 2005 compared with the quarter and nine months ended September 30, 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 Third 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.

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, equipment manufacturing, 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 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, 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.

Results of Operations

Quarter ended September 30, 2005 compared with quarter ended September 30, 2004

Net earnings for the third quarter ended September 30, 2005 declined by 41% to $1,000,000 compared to last year's net earnings of $1,698,000. Diluted earnings per common share for the third quarter were 10 cents compared to 17 cents last year.

The decrease in net earnings resulted from higher general and administrative ("G&A") expenses, principally as a result of incurring costs relating to the consolidation of the Company's Montreal operations (see below), increased interest expense and provision for credit and loan losses, and lower revenue. These items are discussed below.

Excluding the expenses incurred in the quarter relating to the consolidation of the Company's Montreal operations, net income and diluted earnings per common share would have been higher by $298,000 and 3 cents, respectively.

Factoring volume for the third quarter, usually the Company's strongest due to seasonality in ABC's business, declined by 4% to $402 million compared to the record volume of $419 million achieved last year. Non-recourse factoring volume fell by 9%, while recourse factoring volume rose by 2%. The decline in non-recourse volume, continuing from earlier quarters, resulted from client turnover which was not fully replaced and lower shipping volumes by certain of the Company's clients. The decline in non-recourse volume was one of the determinants in the decision to consolidate the Company's Montreal operations.

Revenue for the third quarter declined by $257,000 or 4% to $6,691,000 compared with $6,948,000 last year. The percentage decline in revenue was similar to that of factoring volume.

Expenses for the quarter rose by $785,000 or 18% to $5,156,000 compared to $4,371,000 last year. G&A expenses increased by $501,000, interest expense rose by $205,000 and the provision for credit and loan losses rose by $83,000. Depreciation was relatively unchanged at $93,000.

Selected Annual Information

(audited, 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, except per share data)

Quarter ended	Revenue	Net Earnings	Diluted Earnings Per Share
2005 September 30	**$ 6,691**	**$ 1,000**	**$ 0.10**
June 30	**6,554**	**1,280**	**0.13**
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.

The Company's G&A expenses largely comprise personnel costs and other overheads. G&A expenses rose by $501,000 or 15% in the third quarter to $3,895,000 compared to $3,394,000 last year. As noted above and explained in note 8 to the Statements, $451,000 of third quarter G&A expenses related to consolidation of the Company's Montreal operations, principally severance costs. Excluding these costs, G&A expenses would have risen by only 1% as increased expenses at MFC, which is growing, were largely offset by lower expenses in our U.S. operations (see below). Additional costs of up to $650,000 in respect of consolidating the Montreal operations into one office will be incurred in the fourth quarter of 2005 as the contemplated office closure is completed. Going forward, the Company expects annual cost savings of approximately $700,000 as a result of this consolidation.

Interest expense for the quarter rose by 67% to $510,000 compared to last year's $305,000 as average borrowings (bank indebtedness and notes payable) increased by close to 50% and interest rates rose. The increase in average borrowings in the quarter was required to fund an increase in gross factored receivables and loans.

The provision for credit and loan losses rose by $83,000 or 14% to $658,000 in the third quarter compared to $575,000 last year. The principal reason for the increase was a $12.5 million rise in gross factored receivables and loans in the quarter compared to a $4.5 million rise in the third quarter of 2004. The $8.0 million greater increase in gross factored receivables and loans in the current quarter required a higher increase in the allowance for losses be set up than last year. Overall, there was a net increase of $200,000 in the provision for credit and loan losses this quarter compared to last year directly as a result of the greater increase in the allowance required to cover outstanding gross factored receivables and loans. This increase was partially offset by a decrease in net write-offs.

Canadian operations reported weaker results in the third quarter of 2005 compared to last year (see note 10 to the Statements). Net earnings from Canadian operations declined by 57% to $526,000 compared to $1,235,000 last year. Revenue declined by $169,000 or 3% to $5,114,000 on lower volume, while expenses, including income tax, rose by $540,000 or 13% to $4,588,000. The increase in expenses resulted from a $626,000 rise in G&A expenses, as a result of the consolidation of the Company's Montreal operations and growth at MFC, and increases in interest expense and the provision for credit and loan losses. These increases were partly offset by a $353,000 decrease in income tax expense, as pre-tax income declined, and a small decline in depreciation.

U.S. operations reported slightly better results this quarter despite being impacted by an approximate 8% decline in the U.S. dollar against the Canadian dollar compared to the third quarter of 2004. Net earnings rose by $11,000 or 2% to $474,000 compared to $463,000 last year. Revenue declined by 2% to $1,755,000 on a similar volume decrease. Expenses, including income tax, fell by $44,000 or 3% to $1,281,000. G&A expenses declined as a result of certain cost rationalizations and the weaker U.S. dollar, while the provision for credit and loan losses and depreciation also fell. These decreases were partly offset by an increase in interest expense and income tax. In U.S. dollars, AFI's net earnings and revenue rose by 12% and 7%, respectively, in the third quarter compared to last year.

Nine months ended September 30, 2005 compared with nine months ended September 30, 2004

Net earnings for the current nine months declined by 30% to $3,415,000 compared to last year's record $4,853,000. Lower revenue and higher G&A expenses, interest expense and provision for credit and loan losses were responsible for the decline. Diluted earnings per share fell by 31% to 34 cents compared to 49 cents in the first nine months of 2004.

Net earnings for the nine months were reduced by the after-tax charge of $298,000 relating to consolidation of the Montreal operations. This served to reduce diluted earnings per share by 3 cents.

Factoring volume for the current nine months declined by 7% to $1,055 million compared to last year's record $1,131 million. Non-recourse volume declined by 10% for the reasons noted above, while recourse volume declined by 3%, principally as a result of a weaker first quarter. As a result, revenue declined by 5% to $19,113,000 compared to $20,224,000 last year. The

percentage decline in revenue was slightly less than for volume due to a rise in proportion of higher yielding recourse factoring.

Expenses for the current nine months increased by $981,000 or 8% to $13,817,000 compared to $12,836,000 last year. G&A expenses rose by $510,000 or 5% to $10,824,000 compared to $10,314,000 last year. As noted above, expenses of $451,000 were incurred in the third quarter relating to the consolidation of the Company's Montreal operations, while MFC's operations also grew.

The provision for credit and loan losses for the current nine months increased by $251,000 to $1,581,000 compared to $1,330,000 last year. Reasons for the increase in the provision for credit and loan losses are similar to those described above for the third quarter. There was a $17.3 million rise in gross factored receivables and loans in the current nine months compared to a $4.5 million rise last year. The $12.8 million greater increase in gross factored receivables and loans required a higher increase in the allowance for losses be recorded this year. Overall, there was a net increase of $302,000 in the provision for credit and loan losses in the current nine months compared to last year directly as a result of the greater increase in the allowance required to cover outstanding gross factored receivables and loans. This increase was partially offset by a decrease in net write-offs.

Interest expense rose by $246,000 to $1,146,000 compared to $900,000 last year. The increase in interest expense resulted from higher average borrowings and interest rates in 2005. Average borrowings were higher in the first half of 2005 compared to 2004 as a result of paying a special dividend of $14.6 million on July 2, 2004, while they were higher in the current quarter as a result of funding the substantial increase in gross factored receivables and loans. It is noted that the interest expense relating to funds borrowed to pay the special dividend was approximately $400,000 higher in the current nine months than last year. Depreciation declined by $26,000 to $266,000 in the current nine months compared to last year.

Canadian operations reported weaker results in the first nine months of 2005 compared to last year. Net earnings from Canadian operations declined by 42% to $2,000,000 compared to last year's $3,475,000. Revenue declined by 5% to $14,317,000 compared to $14,994,000 last year on lower factoring volume. Expenses, including income tax, increased by $798,000 or 7% to $12,317,000 compared to 2004. G&A expenses rose as a result of the consolidation of the Company's Montreal operations and growth at MFC, while interest expense and the provision for credit and loan losses also increased.

U.S. operations saw improved earnings in the current nine months despite being impacted by an approximate 8% decline in the U.S. dollar against the Canadian dollar this year compared to the first nine months of 2004. Net earnings increased by $37,000 or 3% to $1,415,000 compared to $1,378,000 last year. Revenues declined by $49,000 to $5,346,000 compared to $5,395,000 last year. Expenses, including income tax, declined by $86,000 to $3,931,000 compared to $4,017,000 last year on a $337,000 decrease in G&A expenses resulting from cost rationalization and the weaker U.S. dollar. The decline in G&A expenses was partly offset by an increase in the other expenses. In U.S. dollars, AFI's net earnings and revenue rose by 11% and 8%, respectively, compared to the first nine months of 2004.

Review of Balance Sheet

Shareholders' equity at September 30, 2005 totalled $36,301,000, a $2,367,000 increase compared to $33,934,000 at September 30, 2004 and $1,309,000 above the $34,992,000 at December 31, 2004. Book value per share rose to $3.65 at September 30, 2005 compared to $3.44 a year earlier and $3.54 at December 31, 2004. Increases in shareholders' equity and book value per share at September 30, 2005 resulted from retention of earnings. However, it is noted that a $2,249,000 (23 cents per share) decline in the cumulative translation adjustment account since September 30, 2004 had a significant adverse impact on shareholders' equity and book value per share.

Total assets at September 30, 2005 rose to a record high $94,840,000 compared to $79,735,000 at September 30, 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 30% of total assets at September 30, 2005 compared with 31% at September 30, 2004.

Gross factored receivables and loans, before the allowance for losses, totalled a record high $89,563,000 at September 30, 2005, 19% higher than the $75,080,000 at September 30, 2004 and 24% above the $72,250,000 at December 31, 2004 (see note 4 to the Statements). Factored receivables and loans, net of allowances, were $87,706,000 at September 30, 2005 compared to $73,313,000 at September 30, 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. During the current quarter, the Company was successful in funding a number of new clients such that, at September 30, 2005, gross factored receivables and loans were at record levels, having grown by $12.5 million or 16% in the third quarter alone. This should translate into higher recourse factoring volume and revenue going forward.

The Company also contracts with other clients whereby it assumes the credit risk associated with respect to their receivables but 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 $148 million at September 30, 2005 compared to $150 million at September 30, 2004 and $114 million at December 31, 2004 (see note 4 to the Statements). Managed receivables, which comprise the non-recourse receivables of ABC's clients, declined due to lower volume. In the first nine months of 2005, non-recourse factoring volume was down 10%, although the rate of decline has recently slowed somewhat.

The Company's total portfolio, which comprises gross factored receivables and loans and managed receivables,

totalled $238 million at September 30, 2005 compared to $225 million at September 30, 2004 and $186 million at December 31, 2004.

The Company's allowance for losses on gross factored receivables and loans increased to $1,857,000 at September 30, 2005 compared to $1,767,000 at September 30, 2004 and $1,114,000 at December 31, 2004. Although gross factored receivables and loans have increased 19% since September 30, 2004, the allowance has risen by only 5% principally as a result of increased write-offs charged against the allowance this year.

The allowance for losses relating to the guarantee of managed receivables declined to $1,048,000 at September 30, 2005 compared to $1,114,000 at September 30, 2004 and $782,000 at December 31, 2004. The decrease in the allowance since September 30, 2004 results from the decline in managed receivables and certain write-offs charged against the allowance. 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 factored receivables and loans is managed in a variety of ways. This is discussed on pages 20 and 21 of the Company's 2004 Annual Report.

Cash at September 30, 2005 was $3,841,000 compared with $3,297,000 at September 30, 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 $648,000 at September 30, 2005 compared with $261,000 at September 30, 2004 and income taxes payable of $308,000 at December 31, 2004. Income taxes receivable principally represent the excess of income tax instalments paid over the Company's current income tax expense. As pre-tax earnings are lower this year, this receivable has temporarily increased.

Changes in other assets, future income taxes, capital assets and goodwill at September 30, 2005 compared to September 30, 2004 and December 31, 2004 were not significant.

Total liabilities at September 30, 2005 were $58,538,000 compared to $45,800,000 at September 30, 2004 and $39,053,000 at December 31, 2004.

Bank indebtedness at September 30, 2005 was $42,083,000 compared to $20,795,000 at September 30, 2004 and $15,608,000 at December 31, 2004. The $21.3 million increase since September 30, 2004 was principally used to fund the $14.5 million increase in gross factored receivables and loans, a net redemption of notes payable of $4.8 million and to pay amounts due to clients of $3.7 million.

Amounts due to clients declined to $3,504,000 at September 30, 2005 compared to $7,184,000 at September 30, 2004 and $5,532,000 at December 31, 2004. Amounts due to clients principally consist of collections of factored 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 $4,786,000 at September 30, 2005 compared to $4,915,000 at September 30, 2004 and $4,920,000 at December 31, 2004. Accounts payable and other liabilities includes the allowance for losses relating to the guarantee of managed receivables. It also includes $1,521,000 at September 30, 2005 in respect of the fair value of certain foreign exchange contracts (see Financial Instruments section below and note 12 to the Statements).

Notes payable totalled $6,969,000 at September 30, 2005 compared to $11,740,000 at September 30, 2004 and $11,778,000 at December 31, 2004 (see Related Party Transactions section below). In March 2005, $5 million of notes were redeemed explaining the decrease this year.

Capital stock totalled $5,983,000 at September 30, 2005 compared to $5,641,000 at September 30, 2004 and $5,659,000 at December 31, 2004. Since September 30, 2004, 99,000 common shares have been issued pursuant to the exercise of employee stock options for proceeds of $345,000, while a further $12,000 was transferred to capital stock from contributed surplus in respect of those stock options exercised. Effective August 5, 2005 the Company commenced a Normal Course Issuer Bid (the "Bid") (see note 9 to the Statements) and to September 30, 2005 had repurchased and cancelled 25,500 common shares pursuant to the Bid at a total cost of $180,000. Of this amount, $15,000 was applied to reduce capital stock and $165,000 to reduce retained earnings. As a result of the above share issues and repurchases, there was an overall increase in capital stock of $342,000 since September 30, 2004. At September 30, 2005 there were 9,943,071 common shares outstanding compared with 9,869,571 at September 30, 2004 and 9,875,571 at December 31, 2004. Details of the Company's stock option plans are set out in note 10 to the Company's 2004 audited financial statements.

Contributed surplus totalled $215,000 at September 30, 2005 compared to $179,000 at September 30, 2004 and $194,000 at December 31, 2004. This account comprises the cumulative stock-based compensation expense charged to G&A expenses since Jan. 1, 2004 plus the $129,000 transitional adjustment recorded on that date to reflect the change in method of accounting for stock-based compensation, less any amounts subsequently transferred to capital stock on the exercise of stock options. During the first nine months of 2005, stock-based compensation expense of $33,000 was credited to contributed surplus, while $12,000 was transferred to capital stock.

Retained earnings totalled $34,474,000 at September 30, 2005 compared to $30,237,000 at September 30, 2004 and $32,564,000 at December 31, 2004. Retained earnings increased by $1,910,000 in the first nine months of 2005. This increase comprised net earnings of $3,415,000 less dividends paid of $1,340,000 and less the $165,000 premium paid on the shares repurchased under the Bid.

In the first nine months of 2004, retained earnings declined by $11,237,000. The decrease comprised dividends paid of $15,961,000 and the above noted $129,000 transferred to contributed surplus on January 1, 2004 less net earnings of $4,853,000. Please refer to the Consolidated Statements of Retained Earnings on page 9 of this Third Quarter Report.

The cumulative translation adjustment component of shareholders' equity was negative $4,371,000 at September 30, 2005 compared to negative $2,122,000 at September 30, 2004 and negative $3,425,000 at December 31, 2004. The $2,249,000 decline since September 30, 2004 reduced the Company's book value per outstanding common share by approximately 23 cents. This significant decrease 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 bank lines of credit totalling approximately $67,000,000 at September 30, 2005 and had borrowed $42,083,000 against these facilities. It had also issued notes payable totalling $6,969,000 at September 30, 2005. Funds generated through notes payable and from operations decrease 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 $3,841,000 as at September 30, 2005 compared to $3,297,000 as at September 30, 2004. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

Quarter ended September 30, 2005 compared with quarter ended September 30, 2004

Cash inflow from operating activities before changes in non-cash operating items totalled $1,835,000 in the third quarter compared with $2,394,000 last year. After changes in non-cash operating items are taken into account, there was a cash outflow from operating activities of $9,301,000 in the current quarter, compared to a cash inflow of $1,229,000 last year. The significant outflow in the current quarter largely resulted from a $12,549,000 increase in gross factored receivables and loans since June 30, 2005. Details of items making up the cash flow from operating activities are set out in the Company's Consolidated Statements of Cash Flows on page 10 of this Third Quarter Report.

Cash outflow from investing activities, namely, net capital expenditures, totalled $24,000 in the current quarter compared to $103,000 in the third quarter of 2004.

Net cash inflow from financing activities for the third quarter totalled $13,304,000 compared to $1,497,000 last year. In the current quarter, bank indebtedness increased by $13,803,000, principally to fund the increase in gross factored receivables and loans, while there were also cash inflows of $101,000 from the issue of 23,000 common shares and $28,000 from notes payable. Offsetting these cash inflows in the quarter were dividends payments totalling $448,000 (4.5 cents per common share), while 25,500 shares were repurchased under the Bid at a cost of $180,000. In the third quarter of 2004, bank indebtedness increased by $7,375,000, while there were also proceeds of $8,796,000 from the issue of notes payable and $411,000 from the issue of 109,000 common shares. Largely offsetting these cash inflows were dividend payments of $15,085,000 (comprising a special dividend of $14,641,000 ($1.50 per common share) and a quarterly dividend of $444,000 (4.5 cents per common share)).

The effect of change from translation in the current quarter comprised a $1,401,000 decrease compared to a $1,484,000 decrease in the third quarter of 2004.

In total, there was a $2,578,000 increase in cash in the third quarter of 2005 compared to a $1,139,000 increase last year.

Nine months ended September 30, 2005 compared with nine months ended September 30, 2004

Cash inflow from operating activities before changes in non-cash operating items totalled $4,785,000 in the current nine months compared with $6,461,000 last year. After changes in non-cash operating items are taken into account, there was a cash outflow from operating activities of $15,759,000 in the current nine months compared with a cash inflow of $6,774,000 last year. The outflow in the current nine months principally resulted from a $17,313,000 increase in gross factored receivables and loans. Net earnings were the principal reason for the cash inflow last year. Details of items making up the cash flow from operating activities are set out in the Company's Consolidated Statements of Cash Flows on page 10 of this Third Quarter Report.

Cash outflow from investing activities, namely, net capital expenditures, totalled $188,000 in the current nine months compared with $299,000 last year.

Net cash inflow from financing activities for the current nine months totalled $20,473,000 compared to a net cash outflow of $4,986,000 last year. In 2005, bank indebtedness increased by $26,474,000 and proceeds of $328,000 were received from the issue of 93,000 common shares, while there were cash outflows of $4,810,000 with respect to the redemption of notes payable, $1,339,000 for dividend payments (three quarterly dividends of 4.5 cents per common share) and $180,000 with respect to shares repurchased under the Bid. Last year, proceeds of $9,259,000 from the issue of notes payable and $966,000 from the issue of 220,000 common shares were received, while bank indebtedness rose by $750,000. Offsetting these inflows, were dividend

payments totalling $15,960,000 (comprising the special dividend of $14,641,000 and three quarterly dividends of 4.5 cents per common share totalling $1,319,000).

The effect of change from translation in the current nine months comprised a $908,000 decrease compared to a $754,000 decrease last year.

In total, there was a $3,618,000 increase in cash balances in the current nine months compared to a $735,000 increase 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 September 30, 2005

	Payments due in				
(in thousands)	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Operating lease obligations	$ 362	$ 369	$ 153	$ 228	$1,112
Purchase obligations	83	—	—	—	83
Total	$ 445	$ 369	$ 153	$ 228	$1,195

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 September 30, 2005 declined to $6,969,000 compared with $11,740,000 at September 30, 2004. The decrease principally resulted from the redemption of $5 million of notes in March 2005. Interest expense on these notes in the current quarter and nine months was $65,000 (2004 - $117,000) and $222,000 (2004 - $161,000), respectively.

At September 30, 2005, the Company had advanced $587,000 (September 30, 2004 – $541,000) to Liquid Capital Corp. ("LCC") to help fund its expansion into the U.S. market. This amount is included in the total of factored receivables and loans. The Company owns a 25% interest in LCC for investment purposes.

During the three and nine months ended September 30, 2005, interest income of $12,000 (2004: $7,000) and $35,000 (2004: $7,000), respectively, was earned on the advance to LCC. The Company also paid commissions to LCC in respect of business referred to it by LCC and its franchisees. During the three and nine months ended September 30, 2005, commissions of $116,000 (2004: $27,000) and $126,000 (2004: $68,000), respectively were paid to 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$7,000,000 loan payable, the Company entered into forward foreign exchange contracts (the "Contracts") with a financial institution in June 2004 that oblige the Company to sell Canadian dollars and buy US$7,000,000 between June 15, 2006 and June 15, 2007 at exchange rates ranging from 1.392 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 12 to the Statements for more detail).

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 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

Effective January 1, 2005, the Company adopted The Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15 ("AcG-15) relating to 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 is 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. The Company has reviewed its 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 and 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 and to seek promising companies or loan portfolios to acquire.

The Company continues to diligently manage its operating expenses. The Company's U.S. operation rationalized certain of its costs in 2005, while consolidation of the Company's Montreal operations in the third and fourth quarters of 2005 is expected to result in annual cost savings of approximately $700,000.

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.

Client turnover is normal in the highly competitive factoring and asset-based lending industry as clients regularly seek out alternative sources of financing, such as those offered by Tier 1 financial institutions and this can adversely impact financial results from one quarter to the next if significant "graduating" clients are not replaced, as the Company experienced in the first half of 2005.

Economic slowdown

The Company operates in Canada and the United States. 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 its clients' receivables and making asset-based loans. The Company's portfolio totalled approximately $238 million at September 30, 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 interest rate changes to some degree.

Foreign currency risk

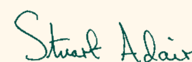
The Company operates internationally. Accordingly, a portion of its financial resources are held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and to attempt to neutralize the impact of foreign exchange movements on its operating results where possible. In recent years, the weakening of the U.S. dollar against the Canadian dollar has adversely affected the Company's operating results upon the translation of its 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
October 27, 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)

	September 30 2005	September 30 2004	December 31 2004
Assets			(Audited)
Factored receivables and loans, net (note 4)	$ 87,705,906	$ 73,312,709	$ 71,135,524
Cash	3,840,673	3,296,745	222,441
Income taxes receivable	648,228	261,474	—
Other assets	273,362	151,301	159,776
Future income taxes, net	168,976	221,239	209,554
Capital assets	1,084,417	1,277,923	1,162,045
Goodwill	1,118,165	1,213,277	1,155,960
	$ 94,839,727	$ 79,734,668	$ 74,045,300
Liabilities			
Bank indebtedness	$ 42,082,661	$ 20,794,579	$ 15,607,800
Due to clients	3,504,176	7,183,558	5,531,560
Accounts payable and other liabilities	4,786,381	4,915,354	4,920,228
Income taxes payable	—	—	307,525
Deferred income	1,196,538	1,166,627	907,998
Notes payable	6,968,613	11,740,245	11,778,118
	58,538,369	45,800,363	39,053,229
Shareholders' equity			
Capital stock	5,983,153	5,640,757	5,658,757
Contributed surplus	214,583	178,932	193,763
Retained earnings	34,474,204	30,236,971	32,564,053
Cumulative translation adjustment	(4,370,582)	(2,122,355)	(3,424,502)
	36,301,358	33,934,305	34,992,071
	$ 94,839,727	$ 79,734,668	$ 74,045,300
Common shares outstanding	9,943,071	9,869,571	9,875,571

CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

Three and nine months ended September 30

	Three months		Nine months	
	2005	2004	2005	2004
Revenue				
Factoring commissions, discounts, interest and other income	$ 6,691,359	$ 6,948,035	$ 19,113,318	$ 20,223,574
Expenses				
Interest	510,127	305,137	1,145,968	900,205
General and administrative (note 8)	3,894,798	3,394,173	10,824,074	10,314,048
Provision for credit and loan losses	657,756	574,815	1,580,797	1,329,822
Depreciation	93,205	96,939	265,819	291,893
	5,155,886	4,371,064	13,816,658	12,835,968
Earnings before income tax	1,535,473	2,576,971	5,296,660	7,387,606
Income tax expense	535,000	879,000	1,882,000	2,535,000
Net earnings	$ 1,000,473	$ 1,697,971	$ 3,414,660	$ 4,852,606
Earnings per common share				
Basic	$ 0.10	$ 0.17	$ 0.34	$ 0.50
Diluted	$ 0.10	$ 0.17	$ 0.34	$ 0.49
Weighted average number of common shares				
Basic	9,940,185	9,837,926	9,913,641	9,760,445
Diluted	10,086,088	10,063,161	10,102,311	9,982,665

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

Nine months ended September 30

	2005	2004
Retained earnings, January 1	$ 32,564,053	$ 41,473,847
Adjustment to reflect change in method of accounting for stock-based compensation	—	(129,283)
Net earnings	3,414,660	4,852,606
Dividends	(1,339,323)	(15,960,199)
Premium on shares repurchased for cancellation (note 9)	(165,186)	—
Retained earnings, September 30	$ 34,474,204	$ 30,236,971

Consolidated Statements of Cash Flows (unaudited)

Three and nine months ended September 30	Three months		Nine months	
	2005	2004	2005	2004
Cash provided by (used in)				
Operating activities				
Net earnings	$ 1,000,473	$ 1,697,971	$ 3,414,660	$ 4,852,606
Items not affecting cash				
Allowances for losses, net of charge-offs and recoveries	435,000	324,000	743,000	1,014,000
Deferred income	305,044	275,043	288,540	251,044
Depreciation	93,205	96,939	265,819	291,893
Future income tax expense	(4,067)	(14,320)	40,578	(12,850)
Stock-based compensation expense	5,360	14,831	32,665	64,246
	1,835,015	2,394,464	4,785,262	6,460,939
Change in non-cash operating items				
Factored receivables and loans, gross	(12,548,942)	(4,497,385)	(17,313,382)	(4,518,668)
Due to clients	(168,163)	2,642,786	(2,027,384)	2,874,011
Income taxes receivable/payable	241,683	163,153	(955,753)	228,374
Other assets	(29,190)	152,822	(113,586)	75,557
Accounts payable and other liabilities	1,368,576	373,313	(133,847)	1,654,020
	(11,136,036)	(1,165,311)	(20,543,952)	313,294
	(9,301,021)	1,229,153	(15,758,690)	6,774,233
Investing activities				
Additions to capital assets, net	(24,291)	(103,103)	(188,191)	(299,149)
Financing activities				
Bank indebtedness	13,803,357	7,375,174	26,474,861	749,737
Notes payable issued (redeemed), net	27,532	8,796,406	(4,809,505)	9,258,538
Issuance of shares	101,250	410,650	327,650	966,250
Repurchase and cancellation of shares	(180,285)	—	(180,285)	—
Dividends paid	(447,551)	(15,084,987)	(1,339,323)	(15,960,199)
	13,304,303	1,497,243	20,473,398	(4,985,674)
Effect of change from translation	(1,400,790)	(1,484,089)	(908,285)	(754,539)
Increase in cash	2,578,201	1,139,204	3,618,232	734,871
Cash at beginning of period	1,262,472	2,157,541	222,441	2,561,874
Cash at end of period	$ 3,840,673	$ 3,296,745	$ 3,840,673	$ 3,296,745
Supplemental cash flow information				
Interest paid	$ 443,396	$ 206,244	$ 983,004	$ 795,618
Income taxes paid	$ 529,138	$ 870,362	$ 3,030,160	$ 2,526,489

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, 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 Canadian GAAP 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 (see note 3(f)).

The preparation of these Statements and the accompanying unaudited notes requires management to make estimates and assumptions that affect the amounts reported (see note 3(b)). In the opinion of management, these Statements reflect all adjustments necessary to state fairly the financial 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) *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.

b) *Accounting estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, 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 periods. 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.

c) *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 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 the due date. Interest charges on loans are recognized as revenue on an accrual basis. Other revenue, such as due diligence fees, documentation and commitment fees are recognized as revenue when earned.

d) *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. The amount is based upon several considerations including current economic trends, condition of the loan and receivable portfolios and typical industry loss experience.

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

e) *Foreign subsidiary*

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

f) 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 is 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. The Company has reviewed its investment in Liquid Capital Corp. and determined it not to be, at this time, a variable interest entity that requires consolidation.

4. Factored receivables and loans

(in thousands)	Sept. 30, 2005	Sept. 30, 2004	Dec. 31, 2004
Factored receivables	$ 65,133	$ 60,910	$ 55,491
Loans to clients	24,430	14,170	16,759
Gross factored receivables and loans	89,563	75,080	72,250
Less allowance for losses	1,857	1,767	1,114
Net factored receivables and loans	$ 87,706	$ 73,313	$ 71,136
Managed receivables	$ 148,388	$ 150,332	$113,894

The Company has 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 $1,048,000 (2004 - $1,114,000) as an allowance for losses on the guarantee of these managed receivables. As these managed receivables are off-balance sheet, this liability is included in the total of accounts payable and other liabilities.

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 market value of the shares on the date of grant. These options vest over a period of three years provided certain minimum 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 three and nine months ended September 30, 2005, no options (2004 – 42,000 options) were granted to employees. The stock-based compensation expense recorded in general and administrative expenses for the three and nine months ended September 30, 2005 was $5,360 (2004 - $14,831) and $32,665 (2004 - $64,246), respectively, with a corresponding increase in 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 included, in whole or in part, the three and nine months ended September 30, 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 Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Basic weighted average number of common shares outstanding	9,940,185	9,837,926	9,913,641	9,760,445
Effect of dilutive stock options	145,903	225,235	188,670	222,220
Diluted weighted average number of common shares outstanding	10,086,088	10,063,161	10,102,311	9,982,665

For the three and nine months ended September 30, 2005, 42,000 options were considered to be anti-dilutive for earnings per common share purposes and were, accordingly, excluded from the calculation of diluted shares outstanding, while for the three and nine months ended September 30, 2004, no options were considered to be anti-dilutive for earnings per common share purposes.

8. Consolidation of Montreal operations

On September 8, 2005, the Company announced that it was consolidating its Montreal factoring and asset-based lending operations into one office and that there would be staff and facility reductions. Total expenses of up to $1,100,000 are expected to be incurred in respect of this consolidation. During the three and nine months ended September 30, 2005, $451,000 of these expenses, principally severance costs, were incurred and are included in general and administrative expenses. The balance of these expenses will be incurred in the fourth quarter of 2005 as the contemplated office closure is completed.

9. Share Repurchase Program

On August 3, 2005, the Company received approval to commence a normal course issuer bid (the "Bid") for up to 497,278 of its common shares at prevailing market prices on the Toronto Stock Exchange. The Bid commenced on August 5, 2005, and is to terminate on the earlier of August 4, 2006, or the date on which 497,278 common shares have been repurchased pursuant to its terms. All shares repurchased pursuant to the Bid will be cancelled.

During the three and nine months ended September 30, 2005, the Company repurchased and cancelled 25,500 shares under the Bid at an average price of $7.07 per share for a total consideration of $180,285, which was applied to reduce share capital and retained earnings by $15,099 and $165,186, respectively.

10. 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.

(in thousands)	Three months ended Sept. 30				Nine months ended Sept. 30			
2005	**Canada**	**United States**	**Inter-company**	**Total**	**Canada**	**United States**	**Inter-company**	**Total**
Identifiable assets	**$ 66,394**	**$ 38,916**	**$ (10,470)**	**$ 94,840**	**$ 66,394**	**$ 38,916**	**$ (10,470)**	**$ 94,840**
Revenue	**$ 5,114**	**$ 1,755**	**$ (178)**	**$ 6,691**	**$ 14,317**	**$ 5,346**	**$ (550)**	**$ 19,113**
Expenses								
Interest	**535**	**114**	**(139)**	**510**	**1,325**	**286**	**(465)**	**1,146**
General and administrative	**3,153**	**781**	**(39)**	**3,895**	**8,483**	**2,425**	**(85)**	**10,823**
Provision for credit and loan losses	**592**	**66**	**—**	**658**	**1,314**	**267**	**—**	**1,581**
Depreciation	**78**	**15**	**—**	**93**	**223**	**43**	**—**	**266**
Income tax expense	**230**	**305**	**—**	**535**	**972**	**910**	**—**	**1,882**
	4,588	**1,281**	**(178)**	**5,691**	**12,317**	**3,931**	**(550)**	**15,698**
Net earnings	**$ 526**	**$ 474**	**$ —-**	**$ 1,000**	**$ 2,000**	**$ 1,415**	**$ —**	**$ 3,415**

2004	Canada	United States	Inter-company	Total	Canada	United States	Inter-company	Total
Identifiable assets	$ 55,265	$ 37,287	$ (12,817)	$ 79,735	$ 55,265	$ 37,287	$ (12,817)	$ 79,735
Revenue	$ 5,283	$ 1,788	$ (123)	$ 6,948	$ 14,994	$ 5,395	$ (165)	$ 20,224
Expenses								
Interest	373	55	(123)	305	989	76	(165)	900
General and administrative	2,527	867	—	3,394	7,552	2,762	—	10,314
Provision for credit and loan losses	482	93	—	575	1,075	255	—	1,330
Depreciation	83	14	—	97	250	42	—	292
Income tax expense	583	296	—	879	1,653	882	—	2,535
	4,048	1,325	(123)	5,250	11,519	4,017	(165)	15,371
Net earnings	$ 1,235	$ 463	$ —	$ 1,698	$ 3,475	$ 1,378	$ —	$ 4,853

11. 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.

12. Financial instruments

As at September 30, 2005, the Company held two forward foreign exchange contracts with a financial institution that mature on June 15, 2006 and June 15, 2007, which oblige the Company to sell Canadian dollars and buy US$7,000,000 at exchange rates ranging from 1.392 to 1.398. The contracts were entered into by the Company for the purpose of managing its exposure on a US$7,000,000 loan. The Company has recognized an unrealized loss of $1,521,100 in respect of the contracts to September 30, 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 fair value of the forward contracts is included in the total of accounts payable and other liabilities at September 30, 2005.

13. Comparative figures

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

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