



All subsidiaries reported excellent results.

Through experienced management and staff, coupled with its financial resources, the Company is well positioned to meet increased competition and develop new opportunities.

*Fred Fishman
Treasurer &
Chief Financial Officer*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis explains trends in the Company's financial condition and results of operations for the year ended Dec. 31, 2000 compared with previous years. It is intended to help shareholders and other readers understand the dynamics of the business and the factors underlying the Company's financial results. Where possible, issues have been identified that may impact future results. The consolidated financial statements, notes to the consolidated statements and supplementary data, as well as the President's letter and Report on Operations, should be read as an integral part of this review.

Accord Financial Corp. has interest in four factoring units: Accord Business Credit Inc., J.T.A. Factors, Inc., Montcap Financial Corp., and MFI Export Finance Inc. Accord Business Credit Inc. has been in operation since 1978. J.T.A. Factors, Inc. and Montcap Financial Corp. were acquired on Dec. 31, 1992. In February 1999 Accord acquired a 50% interest in a newly incorporated company, MFI Export Finance Inc. This unit is managed by Morrison Financial Services Ltd.

The Company provides a broad range of factoring services in Canada and the United States to clients in many industries: temporary staffing, cable contracting, technology services, textiles, apparel, food distribution, printing, sporting goods, leisure products, transportation, footwear, floor coverings, home furnishings, and industrial products.

Accord Business Credit reported excellent results for 2000, ahead of last year. The improvement was a result of lower expenses and modest credit losses.

J.T.A. Factors reached a higher level of activity and revenue. Their marketing efforts continued to be successful. Expenses were slightly higher, in line with higher activity. Operating results for 2000 were well ahead of last year.

Montcap continued to extend more financial services to a growing clientele. Revenue, up substantially over last year, outpaced increased expenses including reserves. Outstandings and net earnings were also higher in 2000.

MFI Export Finance maintained their use of the credit facility provided by Accord (see note 5). Operations were profitable.

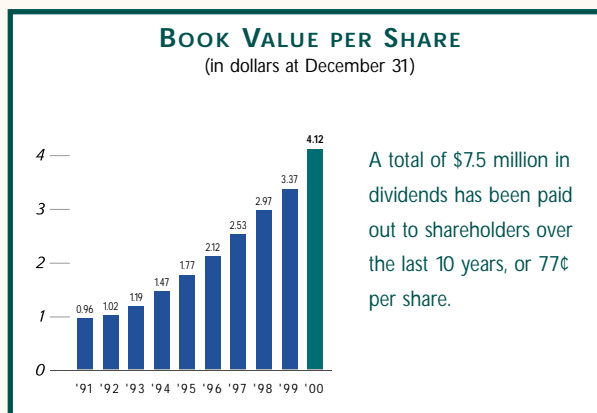
Factoring in North America continues to be in transition with the consolidation and merger of major factors, and the entry of new players in niche markets. The Company continues to search for and investigate new business opportunities and acquisitions. Through experienced management and staff, coupled with its financial resources, the Company is well positioned to meet increased competition and develop new opportunities.

REVIEW OF BALANCE SHEET

The consolidated financial position at Dec. 31, 2000 continued to strengthen since last year-end.

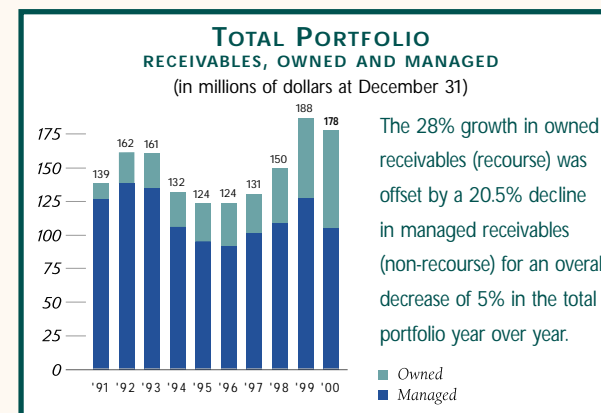
Total assets were \$79 million, an increase of \$17 million from 1999. Factored receivables and loans were up \$14 million, financed by increased borrowings and earnings.

Table 1 highlights the composition of the Company's balance sheet. Total assets have grown quickly during the last three years and this



trend is expected to continue. The Company maintains a policy of writing off intangibles rapidly. The first two ratios in the table below (47.1% and 49.4%) are nevertheless considerably higher than those of most financial companies.

Like the other operating units, J.T.A. operates as a stand-alone subsidiary. Its U.S. dollar assets and



liabilities, discussed below, are translated into Canadian dollars at the exchange rate prevailing at balance sheet date (see note 1-h). The 2000 year-end exchange rate was 1.50 compared with 1.44 last year end.

At Dec. 31, 2000, 65% of identifiable assets were located in the United States, and 35% in Canada.

TABLE 1—BALANCE SHEET COMPOSITION

(as a percentage)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Tangible equity / Assets	72.62	3.19	14.80	30.43	47.21	54.78	73.42	56.78	47.40	47.07
Equity / Assets	72.62	28.91	35.62	46.65	55.78	61.34	77.33	62.68	50.74	49.43
Term debt / Equity	0	0	0	0	0	0	0	0	0	0
Receivables (\$000):										
Owned	11,731	23,202	26,087	26,301	28,273	32,276	29,558	41,248	60,528	77,298
Managed	126,913	138,683	134,669	106,013	95,236	91,673	101,200	108,549	127,306	101,233
Total portfolio	138,644	161,885	160,756	132,314	123,509	123,949	130,758	149,797	187,834	178,531

Total assets have grown quickly.

The ratio of tangible equity to assets is higher than most financial companies.

This ratio is a measure of the proportion of financing provided by shareholders (47.1%) as distinguished from creditors (52.9%).

Last year these percentages were 63% and 37% respectively (see note 14). The predominant portion of these assets were factored receivables related to J.T.A. The factored receivables belonging to the clients of Accord Business Credit do not appear on the balance sheet (see note 2).

Offsetting these U.S. assets, there were identifiable U.S. liabilities. At Dec. 31, 2000, 53% of total liabilities were based in the United States compared with 45% last year. The increase was in line with the shifts in assets and required borrowings.

Foreign exchange risk is not material to the Company's operations as cross-currency transactions are limited.

Factored receivables and loans, net of allowances for losses, grew 26%. At Dec. 31, 2000 they were almost \$70 million compared with \$55 million the previous year-end. This follows a 38% increase during 1999.

Funds employed including advances to our affiliate MFI, increased by \$16.8 million, the result of increased client demand.

The Company's business involves financing receivables of some of its clients. The Company also contracts with other clients to assume the credit risk with respect to their receivables. Since the Company does not take title to these receivables, they do not appear on the balance

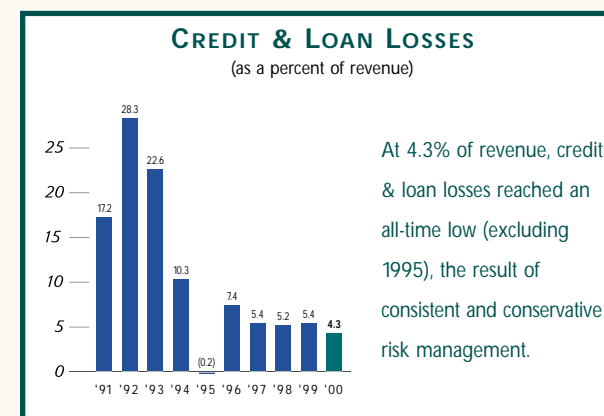
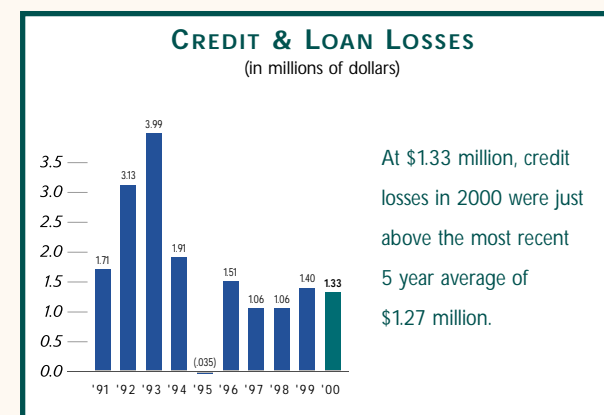


TABLE 2—CREDIT QUALITY

(as a percentage)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Portfolio turnover (days)	72	73	64	49	51	47	52	51	50	53
Accts. rec. past due more than 60 days /Non-recourse accts. rec.	11.70	8.30	7.80	8.40	11.90	7.50	7.10	7.60	10.10	9.70
Reserves /Portfolio	0.84	0.38	0.86	0.88	0.90	0.88	0.87	0.88	0.94	1.04
Reserves /Net charge-offs	75.31	16.82	483.05	47.40	N/A	71.52	112.32	149.15	183.14	142.96
Net charge-offs /Factored (non-recourse) volume	0.21	0.43	0.33	0.32	0.00	0.00	0.04	0.05	0.06	0.05

sheet. These receivables decreased to \$101 million at Dec. 31, 2000 compared with \$127 million at Dec. 31, 1999. Most of these receivables at both dates were at the Company's risk.

All credit is reviewed as detailed in note 2. Nevertheless, for a variety of reasons, there will inevitably be defaults by customers and clients. The Company's credit and loan losses in 2000, as a percentage of gross revenue, were 4.3%, the best result in the past 10 years except for 1995's net recovery (see charts on the previous page). Last year's ratio was 5.4%. The worst experience in the past 10 years was 1992 (28.3%).

Our primary focus is the creditworthiness and collectibility of our clients' receivables.

Monitoring and communicating with these customers is measured by, among other things, an analysis which indicates the amount of receivables current and past due. Different industries factored by Accord have varying payment terms, though most customers are shipped with due dates ranging from 30 to 60 days from original shipping or invoice date. Of the total portfolio, 9.7% was past due more than 60 days at Dec. 31, 2000, compared with last year's 10.4%.

Table 2 highlights the credit quality of the Company's portfolio, both owned and managed. Our charge-off experience has been under 6 basis points annually since 1995. The net charge-offs (credit and loan losses excluding the change in reserves) were \$1.27 million this year compared

with \$0.96 million last year. The increase in reserves in 2000 was \$57,000 compared with an increase of \$442,000 in 1999 as the growth in outstandings slowed year over year.

After a customary and detailed year-end review of the portfolio all problem accounts and loans have been identified and provided for. After writing off uncollectible amounts, and considering the growth in outstandings, the allowance for losses was raised to \$1,817,000, from \$1,760,000 last year.

Other assets, as outlined in note 3, were \$463,000 at Dec. 31, 2000, an increase of \$103,000 from last year.

Capital assets acquired during the year, net of disposals, amounted to \$512,000. Amortization for the year amounted to \$368,000. The net increase in capital assets was \$152,000 compared with a decrease of \$113,000 last year.

Intangible assets, all originating in 1992 as a result of the acquisition of J.T.A. Factors, Inc., were fully amortized by the end of 1999. The goodwill

Our primary focus is the creditworthiness and collectibility of our clients' receivables.

Our charge-off experience has been under 6 basis points annually since 1995.

The increase in reserves was smaller as the growth in outstandings slowed.

balance at the beginning of the year was generated in 1992 by the reverse takeover of the Company by Accord, and the Montcap acquisition; in 1996, the purchase of the remaining 15% of J.T.A. Factors; and in 1997, the purchase of Skyview International Finance Corp. In 1998, the purchase of the factoring portfolio of Richards Capital Corp. added \$1,554,194 of intangible assets. Fully amortized assets, goodwill and related accumulated amortization totalling \$8,959,033 were removed at Dec. 31, 1998 as was \$646,502 at Dec. 31, 2000. There were no additions during 2000. The increase in accumulated amortization, net of the adjustment noted above, was \$309,000 in 2000 compared with \$382,000 in 1999.

Total liabilities were \$40.1 million at Dec. 31, 2000, a \$9.4 million or 30.6% increase from the previous year-end's \$30.7 million.

Bank indebtedness increased in step with the growth in factored receivables and loans to clients. At Dec. 31, 2000 the bank loans outstanding were \$30.7 million, \$10 million higher than 1999's \$20.7 million. The loans are secured primarily by factored receivables and loans to clients, which

were up \$14.6 million for the year. The Company has no term debt outstanding.

Amounts due to clients, fluctuating with volume processed, fell \$1.4 million year over year. Unsecured notes payable representing funds borrowed on demand from management, employees, their families and friends, increased by \$0.7 million from last year.

Accounts payable and other liabilities at Dec. 31, 2000 were \$3.0 million, a small decrease from last year.

Capital stock changed only slightly from last year. During 2000, a total of 120,000 options (1999 - 47,000) were exercised at an average price of \$2.51 (1999 - \$2.65) per share.

The year's stock options granted, exercised, cancelled and year-end balances with their exercise prices are outlined in note 9.

Retained earnings increased \$6.11 million by earnings of \$7.43 million less dividends paid of \$1.32 million.

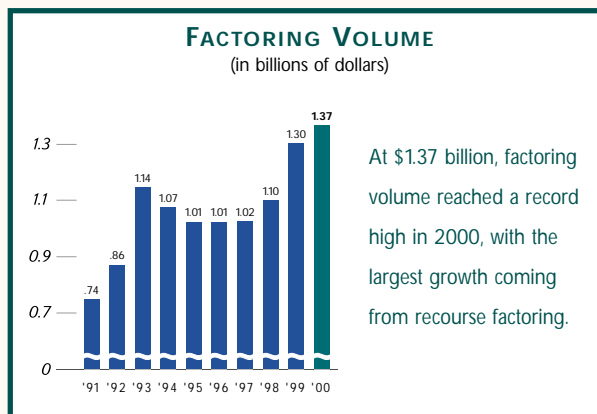
The cumulative translation adjustment increased \$1.15 million as the Canadian dollar weakened against the U.S. dollar, from 1.44 at the beginning of the year to 1.50 at the close of the year. This is the opposite of what happened last year compared to 1998.

Total shareholders' equity stood at \$39,187,000 at Dec. 31, 2000, an increase of \$7,554,000 from the previous year-end, and ahead of last year's increase of \$3,871,000. The return on average shareholders' equity was 21.1% in 2000 compared with 21.2% in 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financing and capital requirements generally increase proportionately to the volume of receivables processed. The collection period and resulting turnover of all outstanding receivables impact financing needs.

The volume of receivables processed was up 5.2% at \$1.37 billion in 2000 compared with \$1.30 billion in 1999.



In addition to relying on cash flow generated from earnings, the subsidiaries maintain bank lines of credit in Canada and the United States. Borrowings are margined as a percentage of outstanding factored receivables and loans.

The current J.T.A. credit facility provides for maximum borrowings of U.S.\$21.5 million, the same as last year. Montcap has a credit facility of \$25 million, an increase from last year. Both bank lines were in partial use throughout the year. Available internal funds decreased the usage of, and dependence on, these lines.

Cash inflow from earnings before changes in non-cash working capital items totalled

\$7.8 million in 2000 compared with \$7.5 million in 1999. The principal items other than earnings which make up the Company's cash inflow historically have been the allowance for losses, and more recently, amortization of intangible assets and goodwill. The allowance for losses is based on the size and condition of the Company's portfolio and external economic conditions as described in note 1-c. Amortization of intangibles, increased by the Richards Capital acquisition in 1999, and amortization of goodwill will continue for some time.

The Company's non-cash working capital items are composed mainly of factored receivables and loans, due to clients, accounts payable and the change in cumulative translation adjustments, all of which have been discussed. As a result, after taking into account the varied changes in non-cash items, net cash used for operations totalled \$7.2 million in 2000, compared with \$8.0 million provided by operations in 1999.

Cash was provided by 2000 earnings of \$7.81 million, assisted by the \$10.76 million increase in bank debt and notes payable, the

Cash inflow from earnings totalled \$7.8 million in 2000 compared with \$7.5 million in 1999.

General & administrative expenses in 2000 represented 46.5% of gross revenue compared with 48.3% in 1999.

\$301,000 received for options exercised and, the \$245,000 dividend from MFI. This was principally used to a) fund \$14.55 million in increased funds employed by clients, b) finance \$2.10 million advanced to MFI, and c) repay \$1.37 million of amounts due to clients. Dividends were paid totalling \$1.32 million and net capital additions were \$512,000. Cash flow in 1999 came from earnings, increased bank debt and due to clients totalling \$21.89 million, which was used to fund \$19.28 million in increased funds employed by clients and MFI. Capital assets grew by \$319,000 and dividends of \$1.12 million were distributed.

In view of its current growth rate, the Company has decided it prudent to obtain additional standby facilities for operations in 2001. Though the current credit facilities have not been fully utilized and internal cash reserves are available, applications for increases are in process. These applications are at different levels of processing and have been met with positive reactions from their respective banks. In summary, the shareholders' equity, combined with total available borrowings, and increases as discussed, provides ample liquidity and capital resources for future growth.

REVIEW OF OPERATIONS

Revenue in 2000 was \$31.0 million, an increase of \$4.9 million or 19% compared to 1999. U.S. operating results are translated into Canadian dollars at the prevailing average monthly exchange rates.

The four operating units' results all improved in 2000 compared with 1999.

- Revenue at Accord Business Credit Inc. was about the same as last year. Operating expenses were higher and credit losses and reserves were lower. Net earnings increased from last year.
- J.T.A.'s revenue was almost 16% ahead of 1999 after a 50% jump the previous year. Major marketing efforts continued. Operating expenses were slightly higher as were net write-offs. Net earnings were higher than last year.
- Montcap's revenue jumped 43% above last year's level after a 50% increase the previous year. Operating expenses and write-offs were

also up. The reserve adjustment was lower this year than last year. The increase in net earnings was limited as the year was fully taxable compared with 1999 which was only partially taxable.

- MFI Export Finance, reflecting a full year of operations, contributed \$367,000 compared with just over \$200,000 in 1999.

Interest and general & administrative expenses were up year over year, while credit & loan losses and amortization were down. Revenue was up 18.7% and total expenses were up just over 14.3%. Consolidated net income was up almost 20.1%.

International volume, mostly cross-border business between the United States and Canada handled by Accord Business Credit, rose to \$251 million or 33% of its total volume during 2000. The comparable volume and percentage figures for 1999 were \$235 million and 32%.

Interest expense totalled \$2.5 million in 2000, compared to \$1.7 million in 1999. A much greater dependency on bank debt to fund substantially

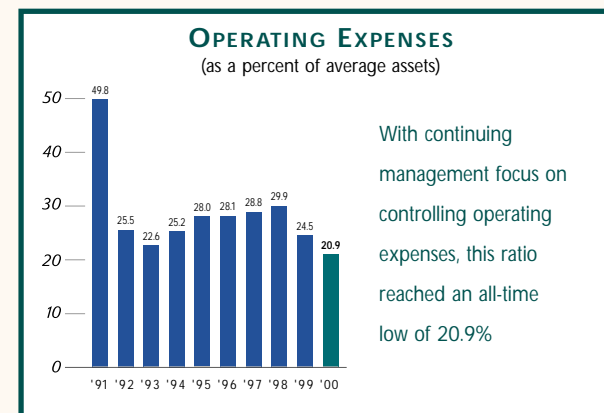
higher outstandings was reflected in this increase. Interest rates in both the U.S. and Canada moved nominally higher. The average U.S. prime rate in 2000 was 9.25% per annum, up 16% from the average 7.97% in 1999. The average Canadian prime rate was 7.23%, up 12% from the 1999 average of 6.43%.

The Company's agreements with its lenders (interest expense) and clients (interest revenue) provide for an adjustment in the event of interest fluctuations so that, subject to minor timing differences, the Company's spreads are essentially protected. The Company does not normally utilize financial instruments of any kind.

General and administrative expenses increased \$1.79 million or 14.1% from 1999 to 2000, commensurate with the increases in outstandings. The Company continued to invest in technology to meet the demands of its clients

Overall, general and administrative expenses of \$14,421,000 in 2000 represented 46.5% of gross revenue compared with 48.3% in 1999.

Table 3 (on the following page) highlights the profitability of the Company compared with assets and equity. The net revenue ratio has dipped recently as the increase of assets – greater factored receivables and loans to clients – are funded by increased bank indebtedness which, of course, carries an interest feature. This trend will continue. The ratio of operating expenses to average assets has been very steady since 1992, peaking at just under 30% in 1998. There was a marked improvement in 2000. The ratio fell to 21%, its lowest in the same time frame, as average assets grew 33% while expenses grew at a lower rate.



In an annual survey of the 1000 largest publicly traded Canadian corporations, as conducted by a prominent national financial journal, Accord Financial Corp. was ranked 430th in profitability, and 61st on its five-year return on equity. As a measure of how effectively management is reinvesting shareholders' funds, our five-year return on equity exceeds 20%. The Company has posted profitable results every year, and almost every quarter. All results have been on a consistently upward trend.

TABLE 3—PROFITABILITY RATIOS

(as a percentage)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Return on average assets	14.86	4.50	3.93	7.92	13.03	12.54	13.43	12.50	11.61	10.49
Return on average equity	23.93	11.04	12.56	19.36	26.10	21.47	20.32	18.72	21.18	21.12
Net revenue / Average assets	87.10	47.38	47.29	52.01	57.66	57.10	56.75	51.89	45.90	40.27
Operating expenses / Average assets	49.84	25.48	22.60	25.16	27.95	28.13	28.82	29.86	24.51	20.88

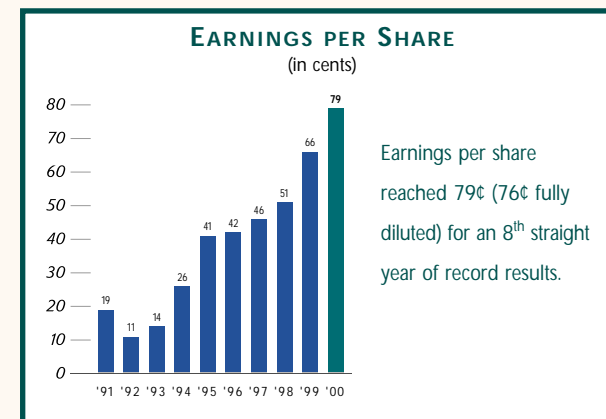
Total credit and loan losses, as discussed in the President's letter, decreased \$75,000 in 2000 to \$1.33 million, from last year's \$1.40 million (see charts on page 12). This \$75,000 change is the result of an increase in net charge-offs and a decrease in the change in reserves. Credit controls and underwriting standards continue to be strictly observed, and where necessary, improved.

Amortization decreased to \$0.65 million in 2000 compared with \$0.82 million in 1999. Of the amounts written off since 1993, most related to the amortization of intangible assets and goodwill.

The effective corporate income tax rate for 2000 was 38.7%, higher than 35.5% in 1999 (see note 10), as the tax losses were fully utilized during 1999.

Net earnings increased 20.1% to \$7,427,464 in 2000, or 79 cents per share (76 cents fully diluted),

compared with \$6,183,866 in 1999, or 66 cents per share (64 cents fully diluted). The average number of shares outstanding increased from 9,356,539 in 1999 to 9,437,088 in 2000.



Quarterly dividends were increased to 3.5 cents per share September 1, 1999. The previous quarterly dividend rate of 2.5 cents had been in effect since December 1, 1997. Dividends paid totalled 14¢ per share for 2000, compared with 12¢ per share for 1999.

TEN YEAR FINANCIAL SUMMARY 1991-2000

All shares and per-share amounts have been adjusted to reflect a 6.4 for one stock split in 1992. All figures are in thousands except factoring volume (in millions) and earnings, dividends, book value per share and share price history.

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Factoring volume	\$ 740.9	855.6	1,140.9	1,069.7	1,013.5	1,013.6	1,016.4	1,097.0	1,303.9	1,372.4
Revenue	\$ 9,991	11,091	17,637	18,610	19,690	20,331	19,672	20,275	26,144	31,031
Interest	12	21	1,276	1,334	1,048	961	553	493	1,697	2,516
General & administrative	5,588	5,812	7,670	8,198	8,830	9,210	9,387	11,049	12,635	14,422
Credit & loan losses	1,710	3,134	3,994	1,912	(35)	1,510	1,060	1,061	1,403	1,328
Amortization	121	141	2,318	2,452	2,511	1,672	1,708	590	820	654
Total expenses	7,431	9,108	15,258	13,896	12,354	13,353	12,708	13,193	16,555	18,920
Earnings before tax	2,560	1,983	2,379	4,714	7,336	6,978	6,964	7,082	9,589	12,111
Income taxes	857	931	877	1,792	2,782	2,725	2,440	2,317	3,405	4,683
Non-controlling interest	—	—	142	290	341	—	—	—	—	—
Net earnings	\$ 1,703	1,052	1,360	2,632	4,213	4,253	4,524	4,765	6,184	7,428
Average shares outstanding	8,890	9,669	9,957	10,230	10,230	10,230	9,884	9,413	9,357	9,437
Earnings per share - basic	\$ 0.19	0.11	0.14	0.26	0.41	0.42	0.46	0.51	0.66	0.79
- diluted	\$ 0.19	0.11	0.14	0.26	0.41	0.42	0.46	0.49	0.64	0.76
Dividends per share	\$ 0.03	0.04	0.05	0.06	0.07	0.08	0.085	0.10	0.12	0.14
Net receivables	\$10,565	22,583	24,366	25,133	27,156	31,181	28,418	39,930	54,993	69,488
Other assets	1,272	12,315	9,513	7,008	5,369	4,521	3,554	4,360	7,349	9,797
Total assets	\$11,837	34,898	33,879	32,141	32,525	35,702	31,972	44,290	62,342	79,285
Bank indebtedness	\$ —	14,391	10,505	7,189	4,381	7,852	1,717	7,559	20,714	30,748
Due to clients	1,251	2,260	3,439	3,029	3,051	3,515	2,368	3,594	4,852	3,487
Other liabilities	1,513	3,641	2,217	2,841	2,758	1,838	2,281	3,649	3,374	3,273
Deferred income	477	460	632	587	615	661	695	753	1,028	1,124
Notes payable	—	2,729	3,335	1,579	1,367	170	185	974	742	1,466
Total liabilities	3,241	23,481	20,128	15,225	12,172	14,036	7,246	16,529	30,710	40,098
Non-controlling interest	—	1,329	1,532	1,922	2,210	—	—	—	—	—
Shareholders' equity	8,596	10,088	12,219	14,994	18,143	21,666	24,726	27,761	31,632	39,187
Total liabilities & equity	\$11,837	34,898	33,879	32,141	32,525	35,702	31,972	44,290	62,342	79,285
Shares outstanding at Dec. 31	8,914	9,930	10,230	10,230	10,230	10,230	9,779	9,337	9,383	9,503
Book value per share	\$ 0.96	1.02	1.19	1.47	1.77	2.12	2.53	2.97	3.37	4.12
Share price - high	\$ —	2.40	3.30	2.75	3.00	4.20	4.50	5.75	5.75	6.60
- low	\$ —	1.60	1.90	1.75	2.00	2.60	3.00	4.00	4.25	5.00
- close, Dec. 31	\$ —	1.80	2.78	2.30	2.85	3.25	4.15	4.30	5.50	5.60