



FIRST QUARTER REPORT MARCH 31, 2004

**EXPERIENCE AND EXPERTISE.
STAYING THE COURSE.**



CORPORATE PROFILE

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



Incorporated in 1978, the company 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 and footwear. Clients are mostly Canadian and U.S. companies; approximately one-quarter of total business is international in nature.



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



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 the fastest growing area in financial services. Montcap has offices in Montreal and Toronto.



FactorsCanada™ is a network organized to provide the professional expertise and financial resources asset-based financial services companies need to better serve their local markets. Montcap provides back-office infrastructure, financing and credit advice for members, which currently total twenty-five.



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, telecom 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 Dallas, TX, Charlotte, NC, and St. Petersburg, FL.



FactorsUSA™ was created to assist smaller U.S. factoring companies in expanding their factoring markets. Accord Financial, Inc. provides financial support and other services to its members.



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STAYING THE COURSE

Enclosed is the first quarter report for the three months ended March 31, 2004 together with comparative figures for the same period of 2003. 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 for the first quarter climbed to \$357 million from \$346 million in the same period last year. It was the highest first quarter volume ever for our Company. Revenue rose by 5% to \$6,502,000 compared with \$6,197,000 last year. General and administrative expenses were down \$556,000 from last year due primarily to a reduction in expenses connected to a legal case that was settled in the second quarter last year. Interest expense and credit and loan losses, primarily increases in reserves, were way up over 2003 due to a big surge in outstandings which topped \$79.0 million at March 31, 2004 compared with \$61.4 million a year ago, and \$68.7 million

at Dec. 31, 2003. This increase in outstandings required two things: (i) more borrowings, and (ii) more loss reserves. As a result, interest expense rose from \$146,000 in 2003 to \$311,000 in 2004; and credit and loan losses jumped from \$222,000 last year to \$639,000 this year.

Net earnings were \$1,317,000 for the first quarter (13 cents per diluted share), an increase of almost 17% when compared to earnings of \$1,129,000 (12 cents per diluted share) in the same period last year.

At the beginning of April, one of our subsidiaries, Montcap Financial Corp., announced that it had signed an agreement with Scotiabank to provide limited recourse receivable financing to the bank's commercial customers. The agreement is an extension of an existing agreement that has been in place between Scotiabank and Montcap for several years whereby the bank has the opportunity

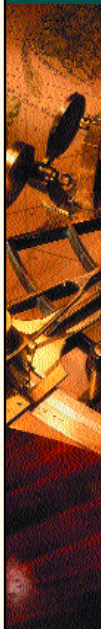
to refer commercial customers in need of additional working capital to Montcap.

At a meeting of the Company's Board of Directors yesterday, a regular quarterly dividend of 4.5 cents per share was declared, payable June 1, 2004 to shareholders of record May 14, 2004. The directors also considered the fact that the Company has excess capital for its current level of business activity, and that there are ample resources available for internal growth, as well as any acquisition opportunity that may arise in the near to medium term. Accordingly, a special dividend of \$1.50 per share was also declared, payable July 2, 2004 to shareholders of record June 15, 2004.



Ken Hitzig
President

Toronto, Ontario
April 28, 2004





MANAGEMENT'S DISCUSSION AND ANALYSIS OF

RESULTS OF OPERATIONS AND FINANCIAL CONDITION ("MD&A")

Three months ended March 31, 2004 compared with three months ended March 31, 2003

OVERVIEW

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 its 2004 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 2003 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 on page 6.

Accord Financial Corp. is a leading North American provider of a broad range of asset-based financial services to businesses, including factoring, lending, financing, collection services, credit investigation and guarantees. Its clients operate in many industries,

including apparel, automotive, temporary staffing, telecommunications, textiles, printing, sporting goods, leisure products, transportation, footwear, floor coverings, financial services and industrial products.

The Company operates three factoring companies, namely, in Canada, Accord Business Credit Inc. ("ABC") and Montcap Financial Corp. ("MFC"), and, in the United States, Accord Financial, Inc. ("AFI").

RESULTS OF OPERATIONS

Net earnings improved by a strong 17% to \$1,317,000 in the quarter ended March 31, 2004 compared to \$1,129,000 last year. Diluted earnings per share were 13 cents for the quarter compared to 12 cents in the first quarter of 2003.

Factoring volume for the quarter ended March 31, 2004 increased by 3% to \$357 million, a first quarter record, compared to \$346 million in the first quarter of 2003. There was an increase in the proportion of higher yielding recourse factoring in the quarter compared to the previous year. As a result, revenue increased by 5% to \$6,502,000 in the quarter compared with \$6,197,000 in the first quarter of 2003.

Total expenses for the quarter increased slightly to \$4,484,000 compared to \$4,450,000 last year. There was a \$417,000 increase in credit and loan losses, which totalled \$639,000 in the quarter, and a \$165,000 increase in interest expense. Credit and

loan losses increased as a result of the significant rise in the Company's reserves (allowance for losses) which were required to support the \$18.1 million or 29% increase in gross factored receivables and loans in the quarter (see page 3). The allowance for losses component of credit and loan losses totalled \$519,000 this quarter compared to \$113,000 last year, an increase of \$406,000 (see Cash Flow Statements on page 9 of this report). Interest expense also rose as the increase in factored receivables and loans was largely funded through additional bank borrowings. These increases were largely offset by a \$556,000 reduction in general and administrative ("G&A") expenses. G&A expenses declined this quarter as substantial legal costs were incurred last year defending against a legal claim. In addition, the weaker U.S. dollar this quarter compared to the first quarter of 2003 served to reduce the Canadian dollar equivalent of our U.S. expenses this year. Accordingly, there was an overall 14% decrease in G&A expenses this quarter compared to last year.

Canadian operations reported improved results in the current quarter compared to 2003 (see note 6 to the Statements). Net earnings from Canadian operations increased by 4% to \$934,000 in the current quarter compared to \$899,000 last year. Revenue increased by \$305,000 or 7% to \$4,831,000, while expenses, including income taxes, rose by \$270,000 or 7% to \$3,897,000. The increase in



SELECTED ANNUAL INFORMATION

(unaudited, in thousands of dollars)

| | 2003 | 2002 | 2001 |
|---------------------|-----------|----------|----------|
| Revenue | \$ 26,214 | \$26,235 | \$28,197 |
| Net earnings | 5,839 | 4,649 | 2,919 |
| Earnings per share | | | |
| Basic | \$ 0.61 | \$ 0.49 | \$ 0.31 |
| Diluted | 0.61 | 0.49 | 0.30 |
| Dividends per share | 0.16 | 0.14 | 0.14 |
| Total assets | \$ 74,699 | \$71,255 | \$67,327 |

QUARTERLY FINANCIAL INFORMATION

(unaudited, in thousands of dollars)

| Quarter ended | Revenue | Net Earnings | Diluted Earnings Per Share |
|----------------------|-----------------|-----------------|----------------------------|
| 2004 March 31 | \$ 6,502 | \$ 1,317 | \$ 0.13 |
| 2003 March 31 | \$ 6,197 | \$ 1,129 | \$ 0.12 |
| June 30 | 6,281 | 1,119 | 0.12 |
| September 30 | 6,577 | 1,539 | 0.16 |
| December 31 | 7,159 | 2,052 | 0.21 |
| Total | \$ 26,214 | \$ 5,839 | \$ 0.61 |
| 2002 March 31 | \$ 6,663 | \$ 1,189 | \$ 0.12 |
| June 30 | 5,864 | 1,234 | 0.13 |
| September 30 | 6,306 | 1,300 | 0.14 |
| December 31 | 7,402 | 926 | 0.10 |
| Total | \$ 26,235 | \$ 4,649 | \$ 0.49 |

expenses resulted from a \$94,000 rise in interest expense and a \$226,000 rise in credit and loan losses.

U.S. operations reported much improved results this quarter. Net earnings from U.S operations increased by 67% to \$383,000 in the current quarter compared to \$230,000 last year. Revenue declined by \$70,000 or 4% to \$1,683,000 in the current quarter compared to \$1,753,000 last year. Revenue

was adversely impacted this quarter by the decline in the U.S. dollar against the Canadian dollar compared to the first quarter of 2003, which caused a reduction in the Canadian dollar equivalent of our U.S. revenues of approximately \$230,000. In U.S. dollars, revenue actually increased by 10%. Expenses, including income taxes, decreased by \$223,000 or 15% to \$1,300,000 in the current quarter as G&A expenses declined by \$512,000. This decrease was partially offset by a \$191,000 increase in credit and loan losses. Reasons for these changes are noted above.

FINANCIAL CONDITION

Total assets at March 31, 2004 increased to \$82.9 million compared to \$67.7 million at March 31, 2003 and \$74.7 million at December 31, 2003. Excluding inter-company loans, identifiable assets located in the United States were 34% of total assets at March 31, 2004 compared with 37% at March 31, 2003.

Gross factored receivables and loans, before allowances, were \$81.4 million at March 31, 2004, an increase of 29% compared to \$63.3 million at March 31, 2003 and an increase of 15% compared to \$70.6 million at December 31, 2003. Factored receivables and loans, net of allowances, were \$79.0 million at March 31, 2004 compared to \$61.4 million at March 31, 2003 and \$68.7 million at December 31, 2003 (see note 2 to the Statements). The significant increase in outstandings results from the current record levels of recourse factoring and asset-based lending being conducted by the Company, which bodes well for its future.

The Company's managed receivables, upon which it assumes the credit risk but does not take title, totalled \$137.3 million at March 31, 2004 compared to \$148.5 million at March 31, 2003 and \$124.1 million at December 31, 2003 (also see note 2 to the Statements).

The Company's total at-risk portfolio, which comprises factored receivables and loans and managed receivables, totalled \$218.7 million at March 31, 2004 compared with \$211.9 million at March 31, 2003 and \$194.7 million at December 31, 2003.

The Company's reserves (allowance for losses) totalled \$2,386,000 at March 31, 2004, an increase of \$449,000 or 23% compared to \$1,937,000 at March 31, 2003, and an increase of \$519,000 or 28% compared to \$1,867,000 at December 31, 2003. The substantial increase in allowance was required as a result of the significant increase in gross factored receivables and loans in the quarter and was the principal cause of the increase in credit and loan losses expense in the quarter compared to the previous year.

Cash at March 31, 2004 was \$301,000 compared with \$1,957,000 at March 31, 2003 and \$2,562,000 at December 31, 2003. The Company endeavors to maintain as low a cash balance as possible when it has bank indebtedness outstanding, subject to daily client requirements.

Changes in income taxes receivable, other assets, capital assets and goodwill were not significant. Future income taxes declined to \$231,000 at March 31, 2004 compared to \$1,038,000 at March 31, 2003 and were similar to the \$208,000 at December 31, 2003. The decrease from March 31, 2003 pertained to the utilization of the tax benefit associated with a US\$1,500,000 provision established in 2002 for the settlement of a claim upon payment of that claim in late 2003.

Total liabilities at March 31, 2004 were \$36.5 million compared to \$23.4 million at March 31, 2003 and \$29.9 million at December 31, 2003.

Bank indebtedness at March 31, 2004 of \$27.6 million was more than double last March's \$11.5 million and significantly higher than the \$20.0 million at December 31, 2003. The increase was used to fund the rise in gross factored receivables and loans.

Amounts due to clients declined to \$2,543,000 at March 31, 2004 compared to \$4,203,000 at March 31, 2003 and \$4,310,000 at December 31, 2003. Accounts payable and other liabilities totalled \$2,752,000 at March 31, 2004 compared to \$4,125,000 at March 31, 2003 and \$2,147,000 at December 31, 2003. The decrease from March 31, 2003 results from the settlement and payment of an old claim in late 2003. Changes in deferred income and notes payable were not significant.

Shareholders' equity at March 31, 2004 was \$46.4 million compared to \$44.2 million at March 31, 2003 and \$44.8 million at December 31, 2003. Book value per share was \$4.77 at March 31, 2004 compared to \$4.65 at March 31, 2003 and \$4.64 at December 31, 2003. As discussed below, a \$3,169,000 decline in the cumulative translation adjustment ("CTA") component of shareholders' equity since March 31, 2003 has adversely impacted book value per share by approximately \$0.33.

Capital stock increased to \$5,011,000 at March 31, 2004 compared to \$4,131,000 at March 31, 2003 and \$4,660,000 at December 31, 2003. During the current quarter, 72,000 common shares were issued pursuant to the exercise of employee stock options for proceeds of \$351,000. As at March 31, 2004, the Company had 9,721,571 common shares outstanding.

As discussed below under accounting policy change, effective January 1, 2004, the Company prospectively adopted the amended requirements of The Canadian

Institute of Chartered Accountants Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments" ("CICA 3870"). CICA 3870 requires that entities account for stock-based compensation, including stock options, using the fair value based method beginning January 1, 2004, which means, from that date, the Company commenced expensing stock options granted pursuant to its stock option plans.

As a result of adopting the amended requirements of CICA 3870, the Company has established a contributed surplus account, which forms a part of shareholders' equity. Contributed surplus had a balance of \$155,000 at March 31, 2004. This balance comprises the \$26,000 stock option compensation expensed in the current quarter and the \$129,000 stock option compensation expense that would have been expensed in 2003 and 2002 had the fair value method been adopted on January 1, 2002, the date CICA 3870 became effective. Opening retained earnings were reduced by, and contributed surplus was increased by, the \$129,000 on January 1, 2004 to comply with the transitional rules relating to the adoption of amended CICA 3870.

For the current quarter, retained earnings increased by \$752,000 to \$42.2 million. The increase comprises net earnings of \$1,317,000 less dividends paid of \$436,000 and less the above noted \$129,000 decrease required to comply with the transitional rules relating to adoption of amended CICA 3870. Last year, retained earnings increased by \$796,000 to \$38.0 million, which comprised net earnings of \$1,129,000 less dividend payments of \$333,000.

The CTA component of shareholders' equity was negative \$1,030,000 at March 31, 2004, a decrease of \$3,169,000 compared to \$2,139,000 at March 31,

2003, and an improvement of \$304,000 compared to negative \$1,334,000 at December 31, 2003.

LIQUIDITY

The Company's financing and capital requirements generally increase proportionately with the level of gross 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. Borrowings are usually margined as a percentage of outstanding gross factored receivables and loans. The Company had credit facilities totalling approximately \$56.6 million at March 31, 2004 and had borrowed \$27.6 million against these facilities.

The Company had cash of \$301,000 as at March 31, 2004 compared to \$1,957,000 as at March 31, 2003.

Cash inflow from operating activities before changes in non-cash operating items totalled \$2,136,000 in the current quarter compared with \$1,445,000 in the same quarter last year. After changes in non-cash operating items are taken into account, cash outflow from operating activities was \$9,956,000 for the quarter, compared with a cash inflow of \$80,000 last year. The significant outflow in the current quarter largely resulted from the \$10.9 million 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 9 of this Report.

Cash outflows from investing activities, namely, net capital expenditures, totalled \$69,000 in the current

quarter compared to \$187,000 in the first quarter of 2003.

Net cash inflow from financing activities for the current quarter totalled \$7,474,000 compared to \$1,017,000 last year. In the current quarter, bank indebtedness increased 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 repaid. In 2003, bank indebtedness and notes payable increased by \$1,229,000 and \$121,000, respectively, while dividends of \$333,000 were paid.

The effect of change from translation in the current quarter comprised a \$290,000 increase compared to a \$2,087,000 decrease last year.

In total, there was a \$2,261,000 decrease in cash balances in the current quarter compared to a \$1,178,000 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 in 2004.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT MARCH 31, 2004

| (in thousands) | Payments due in | | | | | Total |
|-----------------------------|------------------|---------------|---------------|---------------|-----------------|-------|
| | Less than 1 year | 1 to 3 years | 4 to 5 years | After 5 years | | |
| Operating lease obligations | \$ 371 | \$ 731 | \$ 225 | \$ 363 | \$ 1,690 | |
| Purchase obligations | 246 | 121 | — | — | 367 | |
| Total | \$ 617 | \$ 852 | \$ 225 | \$ 363 | \$ 2,057 | |

RELATED PARTY TRANSACTIONS

The Company has borrowed funds (notes payable) on an unsecured basis from management, employees, and their families. These notes are repayable on demand and bear interest at the bank prime rate less one half of one percent per annum, which is below the rate of interest the Company borrows from its banks. Notes payable at March 31, 2004 totalled \$2,456,000 (2003 – \$2,572,000). Interest expense on these notes for the quarter ended March 31, 2004 was \$23,000 (2003 – \$24,000).

CRITICAL ACCOUNTING ESTIMATES

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

- i) the allowance for credit and loan losses. The company maintains an allowance at an amount, which, in management's judgment, is 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. This estimate is particularly judgmental and operating results may be adversely affected by significant unanticipated credit losses, such as occur in a large bankruptcy or insolvency. Management believes that the allowance for losses is adequate and appropriate and does not consider it reasonably likely that the Company's material assumptions will change.
- ii) the extent of any provisions for outstanding claims. In the normal course of business there is

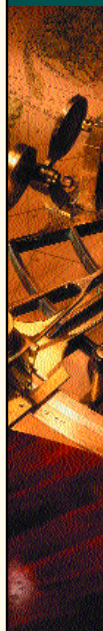
outstanding litigation, the results of which are not normally expected to have a material effect upon the Company. However, the adverse resolution of a particular claim could have a material effect on the Company's financial results as was experienced in 2003 and 2002. We are not aware of any significant claims currently outstanding.

ACCOUNTING POLICY CHANGE

Effective January 1, 2004, the Company prospectively adopted the amended requirements of The Canadian Institute of Chartered Accountants Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments" ("CICA 3870"). CICA 3870 requires that entities account for stock-based compensation, including stock options, using the fair value based method beginning January 1, 2004. 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. In accordance with one of the transitional options permitted under amended Section 3870, the Company has retroactively applied the fair value based method to all employee stock options granted on or after January 1, 2002, and has made a charge to opening retained earnings at January 1, 2004 of \$129,000, with a corresponding increase to contributed surplus, to reflect the cumulative effect of the change had the fair value method been adopted on January 1, 2002. For the quarter ended March 31, 2004, stock option compensation expense of \$26,000 was incurred with a corresponding increase in contributed surplus.

OUTLOOK

The Company's principal objective is managed growth – putting quality new business on the books while adhering to high standards of credit quality. Recent marketing initiatives and alliances are beginning to bear fruit. Export Ease, our export factoring program,



and our association with Liquid Capital are producing growth. In 2002, MFC entered into a referral program with Scotiabank, which we hope will lead to significant new business. In fact, in early 2004 MFC expanded its referral program with the bank to provide an export factoring program to the bank's existing customers and future referrals. New sales staff were added in 2003 in our U.S. operation and it too is starting to see increased growth and deal flow as the U.S. economy continues to improve. ABC is benefiting from a tightening in the credit insurance industry although its market remains highly competitive.

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 or 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. Factors that may cause such differences include, but are not limited to, the factors discussed below.

Competition

The Company operates in an intensely competitive environment and its results could be significantly affected by the activities of other industry participants. The Company expects competition to persist and intensify in the future as the markets for its services continue to develop and as additional companies enter its markets. There can be no assurance that

the Company will be able to compete effectively with current and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to competing services, the Company would likely be forced to lower its rates, which could have a material adverse effect on its business, operating results and financial condition. The Company will not, however, compromise its credit standards.

Economic slowdown

The Company principally operates in Canada and the United States. We are just starting to see a turnaround in economic performance in the U.S. and that of our U.S. subsidiary. Economic weakness affects our ability to do new business as quality prospects become limited. Further, our clients and their customers are often adversely affected by an economic slowdown and this can lead to an increase in the Company's credit and loan losses.

Credit and loan losses

The Company is in the business of factoring its clients' receivables. Outstanding receivables totalled approximately \$219 million at March 31, 2004. Operating results may be adversely affected by large bankruptcies and/or insolvencies.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources are held in currencies other than the Canadian dollar. Our policy with respect to foreign currency exposure is to manage financial exposure to certain foreign exchange fluctuations and to attempt to neutralize the impact of foreign exchange movements where possible. Since the beginning of 2003, the Company has seen the weakening of the U.S. dollar against the Canadian dollar affect our operating results upon the translation

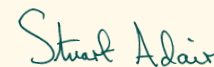
of our U.S. subsidiary's results into Canadian dollars. It also caused a significant decrease in the value of the Company's net investment in its U.S. subsidiary, which substantially reduced shareholders' equity.

Potential acquisitions and investments

The Company expects to continue to acquire or invest in businesses that expand or complement the Company's 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, 2004

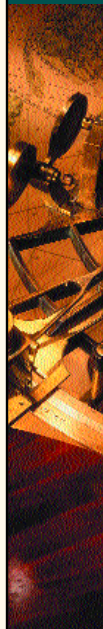
NOTICE TO READER

These interim unaudited consolidated financial statements and notes have not been reviewed by the Company's auditors but have been reviewed and approved by the Company's Audit Committee and Board of Directors.

CONSOLIDATED

BALANCE SHEETS (UNAUDITED)

| | March 31 2004 | March 31 2003 | December 31 2003 (Audited) |
|----------------------------------------|----------------------|----------------------|----------------------------------|
| Assets | | | |
| Factored receivables and loans, net | \$ 79,044,902 | \$ 61,403,352 | \$ 68,694,041 |
| Cash | 301,158 | 1,956,608 | 2,561,874 |
| Income taxes receivable | 519,430 | 319,711 | 489,848 |
| Other assets | 257,134 | 281,314 | 226,858 |
| Future income taxes | 230,930 | 1,038,046 | 208,389 |
| Capital assets | 1,242,756 | 1,252,080 | 1,270,667 |
| Goodwill | 1,261,073 | 1,411,579 | 1,246,840 |
| | \$ 82,857,383 | \$ 67,662,690 | \$ 74,698,517 |
| Liabilities | | | |
| Bank indebtedness | \$ 27,629,192 | \$ 11,527,032 | \$ 20,044,842 |
| Due to clients | 2,542,893 | 4,202,672 | 4,309,547 |
| Accounts payable and other liabilities | 2,752,344 | 4,125,376 | 2,147,334 |
| Deferred income | 1,114,539 | 1,004,574 | 915,583 |
| Notes payable | 2,456,443 | 2,571,637 | 2,481,707 |
| | 36,495,411 | 23,431,291 | 29,899,013 |
| Shareholders' equity | | | |
| Capital stock | 5,010,760 | 4,130,560 | 4,659,910 |
| Contributed surplus | 155,240 | — | — |
| Retained earnings | 42,225,641 | 37,961,747 | 41,473,847 |
| Cumulative translation adjustment | (1,029,669) | 2,139,092 | (1,334,253) |
| | 46,361,972 | 44,231,399 | 44,799,504 |
| | \$ 82,857,383 | \$ 67,662,690 | \$ 74,698,517 |
| Common shares outstanding | 9,721,571 | 9,513,257 | 9,649,571 |



CONSOLIDATED

STATEMENTS OF EARNINGS (UNAUDITED)

Three months ended March 31

| | 2004 | 2003 |
|-------------------------------------------------------------|--------------|--------------|
| Revenue | | |
| Factoring commissions, discounts, interest and other income | \$ 6,501,844 | \$ 6,196,856 |
| Expenses | | |
| Interest | 310,848 | 145,819 |
| General and administrative | 3,436,860 | 3,992,976 |
| Credit and loan losses | 638,815 | 222,322 |
| Depreciation | 97,258 | 89,063 |
| | 4,483,781 | 4,450,180 |
| Earnings before taxes | 2,018,063 | 1,746,676 |
| Income taxes | 701,000 | 618,000 |
| Net earnings | \$ 1,317,063 | \$ 1,128,676 |
| Earnings per share | | |
| Basic | \$ 0.14 | \$ 0.12 |
| Diluted | \$ 0.13 | \$ 0.12 |
| Weighted average number of shares | | |
| Basic | 9,690,539 | 9,513,257 |
| Diluted | 9,847,424 | 9,568,581 |

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CONSOLIDATED

STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

Three months ended March 31

| | 2004 | 2003 |
|--------------------------------------------------------------------------------------------------|---------------|---------------|
| Retained earnings, January 1 | \$ 41,473,847 | \$ 37,166,036 |
| Adjustment to reflect change in method of accounting for stock-based compensation (Note 1(c)) | (129,283) | — |
| Net earnings | 1,317,063 | 1,128,676 |
| Dividends | (435,986) | (332,965) |
| Retained earnings, March 31 | \$ 42,225,641 | \$ 37,961,747 |

STATEMENTS OF CASH FLOWS (UNAUDITED)

Three months ended March 31

| | 2004 | 2003 |
|--------------------------------------------|--------------|--------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Net earnings | \$ 1,317,063 | \$ 1,128,676 |
| Items not affecting cash | | |
| Allowance for losses | 519,000 | 113,000 |
| Deferred income | 198,956 | 48,461 |
| Depreciation | 97,258 | 89,063 |
| Future income taxes | (22,541) | 66,066 |
| Stock-based compensation | 25,957 | — |
| | 2,135,693 | 1,445,266 |
| Changes in non-cash operating items | | |
| Factored receivables and loans, gross | (10,869,861) | 2,552,736 |
| Due to clients | (1,766,654) | (2,579,881) |
| Income taxes receivable | (29,582) | (1,117,110) |
| Other assets | (30,276) | (4,880) |
| Accounts payable and other liabilities | 605,010 | (216,397) |
| | (12,091,363) | (1,365,532) |
| | (9,955,670) | 79,734 |
| Investing activities | | |
| Additions to capital assets, net | (69,347) | (187,259) |
| Financing activities | | |
| Bank indebtedness | 7,584,350 | 1,228,895 |
| Notes (repaid) issued, net | (25,264) | 120,655 |
| Issuance of shares | 350,850 | — |
| Dividends paid | (435,986) | (332,965) |
| | 7,473,950 | 1,016,585 |
| Effect of change from translation | 290,351 | (2,086,653) |
| Decrease in cash | (2,260,716) | (1,177,593) |
| Cash, January 1 | 2,561,874 | 3,134,201 |
| Cash, March 31 | \$ 301,158 | \$ 1,956,608 |
| Supplemental cash flow information | | |
| Interest paid | \$ 372,908 | \$ 146,144 |
| Income taxes paid | \$ 741,908 | \$ 1,538,117 |





NOTES TO THE INTERIM CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

Three months ended March 31, 2004 and 2003

1. DESCRIPTION OF THE BUSINESS, BASIS OF PRESENTATION AND CHANGE IN ACCOUNTING POLICY

a) Description of the business

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

b) 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 consolidated financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2003. The accounting policies adopted for the preparation of these Statements are the same as those applied for the Company's audited consolidated financial statements for the fiscal year ended December 31, 2003, except for the change in 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.

c) Change in accounting policy

Effective January 1, 2004, the Company prospectively adopted the amended requirements of The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments" ("CICA 3870"). CICA 3870 requires that public companies account for stock-based compensation awards, including stock options issued to employees and directors, using the fair value based method beginning January 1, 2004. 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. In accordance with one of the transitional options permitted under amended Section 3870, the Company has accounted for the change in accounting policy retroactively without restatement. The Company has retroactively applied the fair value based method to all stock options granted on or after January 1, 2002, the date CICA 3870 became effective, and has made a charge to opening retained earnings at January 1, 2004 of \$129,283, with a corresponding increase to contributed surplus, to reflect the cumulative effect of the change had the fair value method been adopted on January 1, 2002.

2. FACTORED RECEIVABLES AND LOANS

| (in thousands) | March 31 2004 | March 31, 2003 | Dec. 31, 2003 |
|----------------------|---------------|----------------|---------------|
| Factored receivables | \$ 26,197 | \$ 20,815 | \$ 23,706 |
| Loans to clients | 55,234 | 42,525 | 46,855 |
| | 81,431 | 63,340 | 70,561 |
| Allowance for losses | (2,386) | (1,937) | (1,867) |
| | \$ 79,045 | \$ 61,403 | \$ 68,694 |
| Managed receivables | \$ 137,317 | \$ 148,541 | \$ 124,120 |

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"). Managed receivables and gross factored receivables and loans, which together total \$218.7 million at March 31, 2004, have been considered by management in determining the allowance for losses at that date.

3. 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 countries in which the Company operates.

4. STOCK-BASED COMPENSATION

As detailed in note 1(c), effective January 1, 2004, the Company commenced accounting for stock-based compensation, including stock option grants, using the fair value based method. Details of the Company's two stock option plans are described in note 11 to the audited consolidated financial statements included in its 2003 Annual Report. Stock options are granted to employees and non-executive directors 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 quarter ended March 31, 2004, the Company issued no stock options to employees (2003 – 21,000). The stock-based compensation expense recorded in general and administrative expenses for the quarter ending March 31, 2004 was \$25,957 with a corresponding increase in contributed surplus. This expense pertains to options granted subsequent to January 1, 2002, for which the vesting period includes, in whole or in part, the three months ended March 31, 2004.

For comparison purposes, the following table reflects the pro forma financial results as though the adoption of CICA 3870 had occurred on January 1, 2002 and stock-based compensation had been recorded in the quarter ended March 31, 2003 using a fair value method:

Three months ended March 31

| | 2004 | 2003 |
|------------------------------------------------------|-----------|-----------|
| Net earnings—as reported | 1,317,063 | 1,128,676 |
| Stock-based compensation | — | (17,871) |
| Net earnings—pro forma | 1,317,063 | 1,110,805 |
| Basic earnings per share—as reported and pro forma | 0.14 | 0.12 |
| Diluted earnings per share—as reported and pro forma | 0.13 | 0.12 |

For the purpose of pro forma disclosure, the estimated fair value of the options is amortized to expense over their vesting period on a straight-line basis. The pro forma disclosure excludes the effect of options granted before January 1, 2002.

The weighted average estimated fair value at the date of grant for each of the 21,000 stock options granted in the three months ended March 31, 2003

was \$0.88. The estimated fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Three months ended March 31, 2003

| | |
|-------------------------------|-------|
| Expected dividend yield | 2.7% |
| Expected volatility | 20.4% |
| Risk-free interest rate | 4.0% |
| Expected option life in years | 4.0 |

5. WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING

Basic earnings per share have been calculated based on the weighted average number of common shares outstanding in the period without the inclusion of dilutive effects. Diluted earnings per share are calculated based on the weighted average number of common shares plus dilutive common share equivalents outstanding in the period which, in the Company's case, consist entirely of stock options. The following is a reconciliation of shares used in the calculations:

| | 2004 | 2003 |
|-------------------------------------------------------|-----------|-----------|
| Basic weighted average number of shares outstanding | 9,690,539 | 9,513,257 |
| Net effect of dilutive stock options | 156,885 | 55,324 |
| Diluted weighted average number of shares outstanding | 9,847,424 | 9,568,581 |

For the quarter ended March 31, 2004, no options were considered to be anti-dilutive for earnings per share purposes, while for the quarter ended March 31, 2003, 270,000 options were considered to be anti-dilutive for earnings per share purposes and were, accordingly, excluded from the calculation of diluted shares outstanding.

6. 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. There were no significant changes to capital assets and goodwill during the periods under review.

Three months ended March 31, 2004 (in thousands)

| | Canada | U.S. | Inter-company | Total |
|----------------------------|-----------|-----------|---------------|-----------|
| Identifiable assets | \$ 54,365 | \$ 29,734 | \$ (1,242) | \$ 82,857 |
| Revenue | \$ 4,831 | \$ 1,683 | \$ (12) | \$ 6,502 |
| Expenses | | | | |
| Interest | 320 | 3 | (12) | 311 |
| General and administrative | 2,525 | 912 | | 3,437 |
| Credit and loan losses | 515 | 124 | | 639 |
| Depreciation | 83 | 14 | | 97 |
| Income taxes | 454 | 247 | | 701 |
| | 3,897 | 1,300 | (12) | 5,185 |
| Net earnings | \$ 934 | \$ 383 | \$ – | \$ 1,317 |

Three months ended March 31, 2003 (in thousands)

| | Canada | U.S. | Inter-company | Total |
|----------------------------|-----------|-----------|---------------|-----------|
| Identifiable assets | \$ 42,354 | \$ 34,992 | \$ (9,683) | \$ 67,663 |
| Revenue | \$ 4,526 | \$ 1,753 | \$ (82) | \$ 6,197 |
| Expenses | | | | |
| Interest | 226 | 2 | (82) | 146 |
| General and administrative | 2,569 | 1,424 | | 3,993 |
| Credit and loan losses | 289 | (67) | | 222 |
| Depreciation | 73 | 16 | | 89 |
| Income taxes | 470 | 148 | | 618 |
| | 3,627 | 1,523 | (82) | 5,068 |
| Net earnings | \$ 899 | \$ 230 | \$ – | \$ 1,129 |

7. 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.

ACCORD FINANCIAL CORP.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ken Hitzig, Toronto, Ontario
Austin C. Beutel, Toronto, Ontario^{1,2}
John D. Lamont, Oakville, Ontario¹
Robert J. Beutel, Toronto, Ontario
H. Thomas Beck, Toronto, Ontario²
Ben Evans, Stamford, Connecticut¹
Frank D. White, Mount Royal, Quebec¹

(1) Member of Audit Committee

(2) Member of Compensation Committee

OFFICERS

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

SUBSIDIARIES

Accord Business Credit Inc.
Mark Perna, President
Montcap Financial Corp.
Fred Moss, President
Accord Financial, Inc.
Tom Henderson, President

AUDITORS

KPMG LLP

LEGAL COUNSEL

Stikeman Elliott

BANKERS

Bank of America
Scotiabank
The Toronto-Dominion Bank
HSBC Bank Canada

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol **ACD**

REGISTRAR & TRANSFER AGENT

Computershare Trust Company
of Canada



Keeping Business Liquid

77 BLOOR STREET WEST,

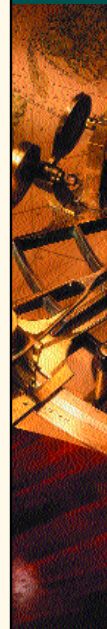
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