



THIRD QUARTER REPORT SEPTEMBER 30, 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, Accord Business Credit Inc. 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, wholesalers, 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 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 are the results for the third quarter and nine months ended September 30, 2004 together with comparative figures for the same periods the previous 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.

Third quarter factoring volume was a Company record of \$419 million, and was 9% higher than last year's \$384 million. Total revenue rose to \$6,948,000 compared to \$6,577,000 last year. Expenses were up \$185,000, or 4% over last year. Net earnings for the third quarter were \$1,698,000 (17 cents per diluted share), a 10% increase over last year's net earnings of \$1,539,000 (16 cents per diluted share).

Factoring volume for the first nine months of 2004 was \$1,131 million, a Company record for the period, compared to \$1,063 million in 2003. Total revenue advanced 6% to \$20,224,000. General and administrative expenses, including depreciation, were somewhat lower in 2004. Interest expense was \$384,000 higher due to more borrowings. Credit and loan losses increased to \$1,330,000 for the first nine months of this year compared to \$1,071,000 for the same period last year. This was the result of the need for additional reserves of \$1,014,000 to cover the increase in volume and outstandings in 2004 compared to increased reserves of \$299,000 last year. Net earnings for the first nine months of 2004 were \$4,853,000, or 49 cents per diluted share. Net earnings for the same period in 2003 were \$3,787,000, or 39 cents per diluted share.

Last year's earnings were negatively affected by the settlement provision for an old legal claim amounting to \$440,000 after taxes.

The Company's Board of Directors declared a regular quarterly dividend of 4.5 cents per share, payable December 1, 2004, to shareholders of record November 15, 2004.



Ken Hitzig
President

Toronto, Ontario
October 28, 2004





MANAGEMENT'S DISCUSSION AND ANALYSIS OF

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

OVERVIEW

This MD&A should be read in conjunction with the Company's interim unaudited consolidated financial statements and notes (the "Statements") for the three and nine months ended September 30, 2004, which are included as part of this 2004 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 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 below.

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

Three months ended September 30, 2004 compared with three months ended September 30, 2003

Net earnings for the three months ended September 30, 2004 increased by 10% to \$1,698,000 compared to \$1,539,000 in the third quarter of 2003. Diluted earnings per share were 17 cents for the third quarter compared to 16 cents last year.

Factoring volume for the current quarter increased by 9% to \$419 million, a third quarter company record, compared to \$384 million in the third quarter of 2003. Revenue rose by 6% to \$6,948,000 in the quarter compared to \$6,577,000 last year. Expenses for the third quarter increased by \$184,000 to \$4,371,000 compared to \$4,187,000 last year. Interest expense increased by \$109,000 to \$305,000, largely as a result of funding payment of the \$14,641,000 special dividend on July 2, 2004 through increased borrowings, while credit and loan losses rose by \$125,000 to \$575,000, as a result of the increase in volume and the need for additional reserves to cover the rise in factored receivables and loans. General and administrative ("G&A") expenses and depreciation were relatively stable declining by \$50,000 to \$3,491,000.

Canadian operations recorded better results in the third quarter compared to 2003 (see note 6 to the Statements). Revenue increased by 7% to \$5,283,000, while expenses, including income taxes, also rose by 7% to \$4,048,000 largely as a result of increased credit and loan losses and interest expense. Net earnings from

Canadian operations increased by 5% to \$1,235,000 in the current quarter compared to \$1,178,000 last year.

U.S. operations also recorded improved results in the third quarter. Revenue increased by 6% to \$1,788,000 on increased volume. Expenses, including income taxes, remained relatively constant at \$1,325,000 compared to \$1,321,000 last year. Net earnings from U.S. operations increased by 28% to \$463,000 in the third quarter compared to \$361,000 last year.

Nine months ended September 30, 2004 compared with nine months ended September 30, 2003

Net earnings for the current nine months increased by 28% to \$4,853,000 compared to \$3,787,000 last year. Diluted earnings per share for the current nine months improved by 26% to 49 cents compared to 39 cents last year. Last year's earnings were affected by the \$440,000 after tax impact of the provision for settlement of claim.

Factoring volume for the current nine months rose by 6% to \$1,131 million, a company record for the period, compared to \$1,063 million last year. As a result, revenue increased by 6% to \$20,224,000. Expenses for the nine months declined by \$494,000 to \$12,836,000. Excluding last year's \$712,000 provision for settlement of claim, expenses would have increased by \$218,000 compared to the first nine months of 2003. Increases in interest expense of \$384,000 and credit and loan losses of \$259,000 were largely offset by a \$425,000 reduction in G&A expenses and depreciation. Interest expense rose as borrowings (bank and notes payable) increased to fund the rise in factored receivables and loans and pay the special dividend, while the increase in credit and loan losses resulted from the increase in volume and the requirement for additional reserves to cover the

rise in factored receivables and loans. G&A expenses declined as substantial costs were incurred last year defending against a legal claim, while the weaker U.S. dollar this year compared to the first nine months of 2003 has reduced the Canadian dollar equivalent of our U.S. expenses.

Canadian operations recorded improved results for the current nine months compared to 2003. Revenue increased by 5% to \$14,994,000 compared to \$14,224,000 last year. Expenses, including income taxes, increased by 4% or \$482,000 to \$11,519,000 compared to last year. Higher interest expense and income taxes comprise most of the increase. Net earnings from Canadian

operations rose by 9% to \$3,475,000 compared to \$3,187,000 last year.

U.S. operations did substantially better in the current nine months than last year. Revenue rose by 7% to \$5,395,000, despite the weaker U.S. dollar, compared to \$5,043,000 last year. Expenses, including income taxes, fell by \$426,000 to \$4,017,000 this year. As noted above, last year's expenses included the \$440,000 after tax impact of the provision for settlement of claim. Net earnings from U.S. operations increased by \$778,000 or 130% to \$1,378,000 in the current nine months compared to \$600,000 last year, as a result of improved revenue, lower legal expenses and the absence of a settlement provision.

The Company's managed receivables, upon which it assumes the credit risk but does not take title, totalled \$150.3 million at September 30, 2004 compared to \$159.1 million at September 30, 2003 and \$124.1 million at December 31, 2003 (refer to note 2 of the Statements). The decrease from September 30, 2003 results from a reduction in the average collection period in the Company's non-recourse factoring business compared to last year, while the increase from December 31, 2004 is of a seasonal nature.

The Company's total at-risk portfolio, which comprises gross factored receivables and loans and managed receivables, totalled \$225.4 million at September 30, 2004 compared with \$224.5 million at September 30, 2003 and \$194.7 million at December 31, 2003.

The Company's reserves or allowance for losses increased to \$2,881,000 at September 30, 2004 compared to \$2,123,000 at September 30, 2003 and \$1,867,000 at December 31, 2003. The increase in allowance was required as a result of the increase in gross factored receivables and loans since last September.

Cash at September 30, 2004 was \$3,297,000 compared with \$4,873,000 at September 30, 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 operating requirements.

Income taxes receivable declined to \$261,000 at September 30, 2004 compared to \$845,000 at September 30, 2003 and \$490,000 at December 31, 2003. Income taxes receivable at September 30, 2003 included an amount recoverable relating to the deduction for income tax purposes of the US\$2,000,000 provision for the settlement of a claim upon settling the claim in the second quarter of 2003 (see note 8 to the Statements).

Changes in other assets, future income taxes, net capital assets and goodwill since September 30, 2003 and December 31, 2003 were not significant.

Liabilities totalled \$44,686,000 at September 30, 2004 compared to \$28,162,000 at September 30, 2003 and \$29,899,000 at December 31, 2003. The significant increase at September 30, 2004 principally results from

SELECTED ANNUAL INFORMATION

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

	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, except per share data)

Quarter ended	Revenue	Net Earnings	Diluted Earnings Per Share
2004 September 30	\$ 6,948	\$ 1,698	\$ 0.17
June 30	6,774	1,838	0.18
March 31	6,502	1,317	0.13
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
2002 December 31	\$ 7,402	\$ 926	\$ 0.10
September 30	6,306	1,300	0.14
June 30	5,864	1,234	0.13
March 31	6,663	1,189	0.12
Total	\$26,235	\$ 4,649	\$ 0.49

SPECIAL DIVIDEND

As noted in the Company's 2004 Second Quarter Report, at a meeting of the Company's Board of Directors on April 27, 2004, the directors considered the fact that the Company had excess capital and more than adequate resources for any internal growth or acquisitions and declared a special dividend of \$1.50 per share. The Company paid the dividend totalling \$14,641,000 on July 2, 2004. Concurrent with the declaration of the special dividend, the directors also approved a \$1.50 reduction in the exercise prices of all stock options outstanding on the ex-dividend date.

FINANCIAL CONDITION

Total assets increased to \$78,621,000 at September 30, 2004 compared to \$72,077,000 at September 30, 2003 and \$74,699,000 at December 31, 2003. Excluding inter-company loans, identifiable assets located in the United States were 31% of total assets at September 30, 2004 compared with 34% at September 30, 2003.

Gross factored receivables and loans, before allowances, totalled \$75,080,000 at September 30, 2004, 15% higher than the \$65,404,000 at September 30, 2003 and 6% above the \$70,561,000 at December 31, 2003 (see note 2 to the Statements). Factored receivables and loans, net of allowances, were \$72,199,000 at September 30, 2004 compared to \$63,281,000 at September 30, 2003 and \$68,694,000 at December 31, 2003. The increase from September 30, 2003 results from the record levels of recourse factoring being conducted by the Company this year.

increased borrowings required to pay the \$14,641,000 special dividend.

Bank indebtedness totalled \$20,795,000 at September 30, 2004 compared to \$15,783,000 at September 30, 2003 and \$20,045,000 at December 31, 2003. Bank indebtedness typically increases as gross factored receivables and loans rise, although cash flow from operations reduces the amount of additional bank borrowings required in this respect. Payment of the special dividend on July 2, 2004 was also partly funded through increased bank indebtedness.

Amounts due to clients increased to \$7,184,000 at September 30, 2004 compared to \$3,521,000 at September 30, 2003 and \$4,310,000 at December 31, 2003. The increase is considered to be temporary in nature.

Accounts payable and other liabilities totalled \$3,801,000 at September 30, 2004 compared to \$5,255,000 at September 30, 2003 and \$2,147,000 at December 31, 2003. Last September's total included the US\$2,000,000 total provision accrued for the settlement of a claim.

Changes in deferred income were not significant.

Notes payable increased to \$11,740,000 at September 30, 2004 compared to \$2,554,000 at September 30, 2003 and \$2,482,000 at December 31, 2003. The increase resulted from substantial funds received this quarter from a major shareholder of the Company.

Shareholders' equity at September 30, 2004 was \$33,934,000 compared to \$43,915,000 at September 30, 2003 and \$44,800,000 at December 31, 2003. The decrease at September 30, 2004 results from the \$14,641,000 special dividend payment. Book value per share was \$3.44 at September 30, 2004 compared to \$4.59 at September 30, 2003 and \$4.64 at December 31, 2003. The decline in book value per share results from payment of the \$1.50 per share special dividend.

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 public entities account for employee 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.

Capital stock increased to \$5,641,000 at September 30, 2004 compared to \$4,291,000 at September 30, 2003 and \$4,660,000 at December 31, 2003. During the nine months ended September 30, 2004, 220,000 common shares were issued pursuant to the exercise of stock options for proceeds of \$966,000. Since September 30, 2003, 311,000 stock options have been exercised for proceeds of \$1,336,000. In the current quarter and nine months, \$14,000 was also transferred to capital stock from contributed surplus in respect of those stock options which were both exercised and accounted for under the fair value method.

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. On January 1, 2004, opening retained earnings were reduced by, and contributed surplus increased by, \$129,000 to comply with the transitional rules relating to the adoption of amended CICA 3870. This amount represents the stock-based 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.

Contributed surplus totals \$179,000 at September 30, 2004. This balance comprises the \$129,000 credited to contributed surplus on January 1, 2004 and the \$64,000 stock-based compensation expense for the nine months ending September 30, 2004, including \$15,000 in the third quarter, less the \$14,000 that was transferred from contributed surplus to capital stock as noted above.

Retained earnings for the current nine months declined by \$11,237,000 to \$30,237,000. The decrease comprises dividends paid of \$15,961,000 and the above noted \$129,000 charge on January 1, 2004 less net earnings of \$4,853,000. Last year, retained earnings increased by

\$2,690,000 to \$39,856,000. This increase comprised net earnings of \$3,787,000 less dividend payments of \$1,097,000.

The cumulative translation adjustment component of shareholders' equity was negative \$2,122,000 at September 30, 2004 compared to negative \$232,000 at September 30, 2003 and negative \$1,334,000 at December 31, 2003. This 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.

LIQUIDITY

The Company's financing and capital requirements generally increase 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 with banks totalling approximately \$69 million at September 30, 2004 and had borrowed \$20,795,000 against these facilities.

Three months ended September 30, 2004 compared with three months ended September 30, 2003

The Company had cash of \$3,297,000 as at September 30, 2004 compared to \$4,873,000 as at September 30, 2003.

Cash inflow from operating activities before changes in non-cash operating items totalled \$2,394,000 in the current quarter compared with \$2,004,000 in the third quarter of 2003. After changes in non-cash operating items are taken into account, there was a cash inflow from operating activities of \$1,229,000 in the current quarter, compared with a cash outflow of \$1,123,000 last year. Changes in 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 Third Quarter Report.

Cash outflows from investing activities, namely, net additions to capital assets, totalled \$103,000 in the

current quarter compared to \$118,000 in the third quarter of 2003.

Net cash inflow from financing activities for the current quarter totalled \$1,497,000 compared to \$3,884,000 last year. In the current quarter, bank indebtedness increased by \$7,375,000, notes payable of \$8,796,000 were issued and \$411,000 was received from the issue of 109,000 common shares. These monies were largely used to fund dividend payments totalling \$15,085,000 in the quarter, comprising the special dividend of \$14,641,000 (\$1.50 per share) paid on July 2, 2004 and the September 1, 2004 quarterly dividend of \$444,000 (4.5 cents per share). In the third quarter of 2003, bank indebtedness increased by \$4,176,000, while notes payable and 12,000 common shares were issued for proceeds of \$79,000 and \$59,000, respectively. Offsetting these cash inflows, were dividend payments of \$430,000 (4.5 cents per share).

The effect of change from translation in the current quarter comprised a \$1,484,000 decrease compared to a \$39,000 increase in the third quarter of 2003.

In total, there was a \$1,139,000 increase in cash in the third quarter of 2004 compared to a \$2,681,000 increase last year.

Nine months ended September 30, 2004 compared with nine months ended September 30, 2003

Cash inflow from operating activities before changes in non-cash operating items totalled \$6,461,000 in the current nine months compared with \$5,364,000 last year. After changes in non-cash operating items are taken into account, there was a cash inflow from operating activities of \$6,774,000 in the current nine months, compared with \$1,837,000 last year. Earnings were the principal reason for the cash inflows in both 2004 and 2003. Changes in 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 Third Quarter Report.

Cash outflows from investing activities, namely, net additions to capital assets, totalled \$299,000 in the current nine months compared with \$404,000 last year.

Net cash outflow from financing activities for the current nine months totalled \$4,986,000 compared to a net cash inflow of \$4,651,000 last year. In the current nine months, dividends of \$15,960,000 were paid comprising the special dividend of \$14,641,000 and three quarterly dividends of 4.5 cents per share totalling \$1,319,000. Offsetting these cash outflows was an increase in bank indebtedness of \$750,000 and the issue of notes payable and 220,000 common shares for proceeds of \$9,258,000 and \$966,000, respectively. In 2003, bank indebtedness increased by \$5,484,000 and notes payable and 45,000 common shares were issued for proceeds of \$103,000 and \$161,000, respectively, while dividends of \$1,097,000 were paid.

The effect of change from translation in the current nine months comprised a \$755,000 decrease compared to a \$4,344,000 decrease last year.

In total, there was a \$735,000 increase in cash balances in the current nine months compared to a \$1,739,000 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 in 2004 and 2005.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT SEPTEMBER 30, 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	\$ 364	\$ 663	\$ 142	\$ 363	\$1,532
Purchase obligations	196	89	—	—	285
Total	\$ 560	\$ 752	\$ 142	\$ 363	\$1,817

RELATED PARTY TRANSACTIONS

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, 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 September 30, 2004 totalled \$11,740,000. Interest expense on these notes for the quarter and nine months ended September 30, 2004 was \$117,000 and \$161,000, respectively, compared with \$25,000 and \$77,000 in the comparable periods of 2003.

FINANCIAL INSTRUMENTS

In order to hedge against foreign exchange gains or losses on a US\$9 million inter-company loan payable, the Company has entered into forward foreign exchange contracts that oblige the Company to buy US\$9,000,000 between June 15, 2005 and June 15, 2007 at exchange rates ranging from 1.387 to 1.398. As a result of entering into these contracts, the Company will not be exposed to any foreign exchange gains or losses on the loan.

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 results. The Company considers the following accounting estimates to be critical to the financial results of its business segments:

- 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

As noted above, effective January 1, 2004, the Company prospectively adopted the amended requirements of CICA 3870. CICA 3870 requires that public companies account for stock-based compensation, including stock options, using the fair value based method beginning January 1, 2004. Under the fair value based method, stock option 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 CICA 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 and nine months ended September 30, 2004, stock-based compensation expense of \$15,000 and \$64,000, respectively, 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 Corp. 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 starts 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 \$225 million at September 30, 2004. Operating results

may be adversely affected by large bankruptcies and/or insolvencies.

Foreign currency risk

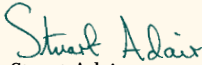
The Company operates internationally. Accordingly, a portion of its financial resources are held in currencies other than the Canadian dollar. Our policy with respect to foreign currency exposure is to manage financial exposure to certain foreign exchange fluctuations and to attempt to neutralize the 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 continually seeks to align the interests of employees and shareholders.


Stuart Adair
Chief Financial Officer

Toronto, Ontario
October 28, 2004

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. 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 statements.

CONSOLIDATED

BALANCE SHEETS (UNAUDITED)

	September 30 2004	September 30 2003	December 31 2003 (Audited)
Assets			
Factored receivables and loans, net	\$ 72,198,709	\$ 63,281,223	\$ 68,694,041
Cash	3,296,745	4,873,288	2,561,874
Income taxes receivable	261,474	844,882	489,848
Other assets	151,301	301,634	226,858
Future income taxes, net	221,239	183,983	208,389
Capital assets, net	1,277,923	1,293,605	1,270,667
Goodwill	1,213,277	1,298,195	1,246,840
	\$ 78,620,668	\$ 72,076,810	\$ 74,698,517
Liabilities			
Bank indebtedness	\$ 20,794,579	\$ 15,782,530	\$ 20,044,842
Due to clients	7,183,558	3,520,738	4,309,547
Accounts payable and other liabilities	3,801,354	5,254,772	2,147,334
Deferred income	1,166,627	1,049,882	915,583
Notes payable	11,740,245	2,553,911	2,481,707
	44,686,363	28,161,833	29,899,013
Shareholders' equity			
Capital stock	5,640,757	4,291,360	4,659,910
Contributed surplus	178,932	—	—
Retained earnings	30,236,971	39,855,704	41,473,847
Cumulative translation adjustment	(2,122,355)	(232,087)	(1,334,253)
	33,934,305	43,914,977	44,799,504
	\$ 78,620,668	\$ 72,076,810	\$ 74,698,517
Common shares outstanding	9,869,571	9,558,571	9,649,571

CONSOLIDATED

STATEMENTS OF EARNINGS (UNAUDITED)

Three and nine months ended September 30

Three months

Nine months

	2004	2003	2004	2003
Revenue				
Factoring commissions, discounts, interest and other income	\$ 6,948,035	\$ 6,577,426	\$ 20,223,574	\$ 19,054,937
Expenses				
Interest	305,137	196,379	900,205	516,427
General and administrative	3,394,173	3,452,853	10,314,048	10,765,888
Credit and loan losses	574,815	449,591	1,329,822	1,070,650
Depreciation	96,939	87,718	291,893	264,690
Provision for settlement of claim (note 8)	—	—	—	712,393
	4,371,064	4,186,541	12,835,968	13,330,048
Earnings before taxes	2,576,971	2,390,885	7,387,606	5,724,889
Income taxes	879,000	852,000	2,535,000	1,938,000
Net earnings	\$ 1,697,971	\$ 1,538,885	\$ 4,852,606	\$ 3,786,889
Earnings per common share				
Basic	\$ 0.17	\$ 0.16	\$ 0.50	\$ 0.40
Diluted	\$ 0.17	\$ 0.16	\$ 0.49	\$ 0.39
Weighted average number of shares				
Basic	9,837,926	9,554,414	9,760,445	9,534,309
Diluted	10,063,161	9,629,969	9,982,665	9,598,742

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CONSOLIDATED

STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

Nine months ended September 30

	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	4,852,606	3,786,889
Dividends	(15,960,199)	(1,097,221)
Retained earnings, September 30	\$ 30,236,971	\$ 39,855,704

STATEMENTS OF CASH FLOWS (UNAUDITED)

Three and nine months ended September 30	Three months		Nine months	
	2004	2003	2004	2003
Cash provided by (used in)				
Operating activities				
Net earnings	\$ 1,697,971	\$ 1,538,885	\$ 4,852,606	\$ 3,786,889
Items not affecting cash				
Allowance for losses	324,000	174,000	1,014,000	299,000
Deferred income	275,043	202,757	251,044	93,769
Depreciation	96,939	87,718	291,893	264,690
Future income taxes	(14,320)	951	(12,850)	920,129
Stock-based compensation	14,831	—	64,246	—
	2,394,464	2,004,311	6,460,939	5,364,477
Changes in non-cash operating items				
Factored receivables and loans, gross	(4,497,385)	(3,545,558)	(4,518,668)	488,865
Due to clients	2,642,786	(196,672)	2,874,011	(3,261,815)
Income taxes receivable/payable	163,153	310,747	228,374	(1,642,281)
Other assets	152,822	(74,945)	75,557	(25,200)
Accounts payable and other liabilities	373,313	378,798	1,654,020	912,999
	(1,165,311)	(3,127,630)	313,294	(3,527,432)
	1,229,153	(1,123,319)	6,774,233	1,837,045
Investing activities				
Additions to capital assets, net	(103,103)	(117,883)	(299,149)	(404,411)
Financing activities				
Bank indebtedness	7,375,174	4,176,193	749,737	5,484,393
Notes issued, net	8,796,406	79,243	9,258,538	102,929
Issuance of shares	410,650	58,500	966,250	160,800
Dividends paid	(15,084,987)	(430,137)	(15,960,199)	(1,097,221)
	1,497,243	3,883,799	(4,985,674)	4,650,901
Effect of change from translation	(1,484,089)	38,894	(754,539)	(4,344,448)
Increase in cash	1,139,204	2,681,491	734,871	1,739,087
Cash at beginning of period	2,157,541	2,191,797	2,561,874	3,134,201
Cash at end of period	\$ 3,296,745	\$ 4,873,288	\$ 3,296,745	\$ 4,873,288
Supplemental cash flow information				
Interest paid	\$ 206,244	\$ 195,648	\$ 795,618	\$ 514,942
Income taxes paid	\$ 870,362	\$ 599,059	\$ 2,526,489	\$ 3,054,677



NOTES TO THE INTERIM CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

Three and nine months ended September 30, 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 and related unaudited notes (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 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 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 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 CICA 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.

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2. FACTORED RECEIVABLES AND LOANS

(in thousands)	Sept. 30 2004	Sept. 30 2003	Dec. 31 2003
Factored receivables	\$ 21,699	\$ 17,651	\$ 23,706
Loans to clients	53,381	47,753	46,855
Factored receivables and loans, gross	75,080	65,404	70,561
Allowance for losses	(2,881)	(2,123)	(1,867)
Factored receivables and loans, net	\$ 72,199	\$ 63,281	\$ 68,694
Managed receivables	\$ 150,332	\$ 159,111	\$ 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 \$225 million at September 30, 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 the jurisdictions in which the Company and its subsidiaries operate.

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 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 not less than the market price of such shares on the grant date. 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 the stock options on the grant date. This estimated fair value is expensed over the award's vesting period.

No stock options were granted by the Company in the three month periods ended September 30, 2004 and 2003. During the nine months ended September 30, 2004, the Company granted 42,000 stock options, while during the nine months ended September 30, 2003, it granted 129,000 stock options. The stock-based compensation expense recorded in general and administrative expenses for the three and nine months ended September 30, 2004 was \$14,831 and \$64,246, respectively, with a corresponding increase in contributed surplus. This expense pertains to options granted subsequent to January 1, 2002 for which the vesting period of such options includes, in whole or in part, the three and nine months ended September 30, 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 three and nine months ended September 30, 2003 using the fair value based method:

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Net earnings – as reported	1,697,971	1,538,885	4,852,606	3,786,889
less: Stock-based compensation	–	27,479	–	60,902
Net earnings – pro forma	1,697,971	1,511,406	4,852,606	3,725,987
Basic earnings per common share – as reported	0.17	0.16	0.50	0.40
Diluted earnings per common share – as reported	0.17	0.16	0.49	0.39
Basic earnings per common share – pro forma	0.17	0.16	0.50	0.39
Diluted earnings per common share – pro forma	0.17	0.16	0.49	0.39

For the purpose of pro forma disclosure, the estimated fair value of options granted is expensed over the award's vesting period. The pro forma disclosure excludes the effect of options granted before January 1, 2002.

The estimated fair value of the stock options granted by the Company was estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine months ended September 30	
	2004	2003
Expected dividend yield	2.1%	2.6%
Expected volatility	16.0%	20.0%
Risk-free interest rate	2.0%	3.0%
Expected average option life in years	4.0	3.8
Weighted average estimated fair value per option granted	\$ 1.02	\$ 0.80

5. EARNINGS PER COMMON SHARE

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 of earnings per common share:

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Basic weighted average number of common shares outstanding	9,837,926	9,554,414	9,760,445	9,534,309
Net effect of dilutive stock options	225,235	75,555	222,220	64,433
Diluted weighted average number of common shares outstanding	10,063,161	9,629,969	9,982,665	9,598,742

For the three and nine months ended September 30, 2004, no options were considered to be anti-dilutive for earnings per share purposes, while for the three and nine months ended September 30, 2003, 108,000 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.

(in thousands)

	Three months ended September 30				Nine months ended September 30			
2004	Canada	U.S.	Inter-Co.	Total	Canada	U.S.	Inter-Co.	Total
Identifiable assets	\$ 54,151	\$ 37,287	\$ (12,817)	\$ 78,621	\$ 54,151	\$ 37,287	\$ (12,817)	\$ 78,621
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
Credit and loan losses	482	93	—	575	1,075	255	—	1,330
Depreciation	83	14	—	97	250	42	—	292
Income taxes	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

2003	Canada	U.S.	Inter-Co.	Total	Canada	U.S.	Inter-Co.	Total
Identifiable assets	\$ 47,407	\$ 31,963	\$ (7,293)	\$ 72,077	\$ 47,407	\$ 31,963	\$ (7,293)	\$ 72,077
Revenue	\$ 4,952	\$ 1,682	\$ (57)	\$ 6,577	\$ 14,224	\$ 5,043	\$ (212)	\$ 19,055
Expenses								
Interest	251	2	(57)	196	720	8	(212)	516
General and administrative	2,496	957	—	3,453	7,535	3,231	—	10,766
Credit and loan losses	337	112	—	449	1,025	46	—	1,071
Depreciation	74	14	—	88	221	44	—	265
Provision for settlement of claim	—	—	—	—	—	712	—	712
Income taxes	616	236	—	852	1,536	402	—	1,938
	3,774	1,321	(57)	5,038	11,037	4,443	(212)	15,268
Net earnings	\$ 1,178	\$ 361	\$ —	\$ 1,539	\$ 3,187	\$ 600	\$ —	\$ 3,787

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.

8. PROVISION FOR SETTLEMENT OF CLAIM

The Company was subject to a claim for damages by an account debtor, which it settled in 2003 for US\$2,000,000. In this respect, the Company accrued US\$1,500,000 in the fourth quarter of 2002 and US\$500,000 in the second quarter of 2003 as provisions for the settlement of this claim.

9. FINANCIAL INSTRUMENTS

As at September 30, 2004, the Company held forward foreign exchange contracts that oblige the Company to buy US\$9,000,000 between June 15, 2005 and June 15, 2007 at exchange rates ranging from 1.387 to 1.398.

CORPORATE INFORMATION



Keeping Business Liquid

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

77 BLOOR STREET WEST,

TORONTO, ONTARIO,

CANADA M5S 1M2

TEL (416) 961-0007

FAX (416) 961-9443

www.accordfinancial.com





(800) 967-0015
www.accordfinancial.com

ACCORD BUSINESS CREDIT INC.
(800) 967-0015
www.accordcredit.com

MONTCAP FINANCIAL CORP.
(800) 231-2977
www.montcap.com
www.factorscanada.com

ACCORD FINANCIAL, INC.
(800) 231-2757
www.accordfinancialus.com
www.factorsusa.com