Canaccord Capital Inc.
Reports fiscal second quarter 2009 results
Second Quarter Fiscal 2009 Report to Shareholders

Reports second quarter and first half of fiscal 2009 results
(All dollar amounts are stated in Canadian dollars unless otherwise indicated)

VANCOUVER, November 6, 2008 – Canaccord Capital Inc.'s (TSX & AIM: CCI) revenue for the three months ended September 30, 2008 was $110.8 million, down 30.2% from the same quarter a year ago. Net loss for the same period was $5.4 million, down $20.7 million from the prior year, excluding non-recurring asset-backed commercial paper ("ABCP") related charges, and diluted loss per share was $0.11, down from earnings per share ("EPS") of $0.31 from the same period a year ago excluding non-recurring ABCP related charges. Commenting on the quarter, Paul Reynolds, President and CEO said, "During these unprecedented market challenges, Canaccord remains focused on managing risk, preserving the firm's capital, and maintaining a strong position for when market conditions return to more normal levels. While we did not generate a profit for the second quarter of fiscal 2009, we made a number of difficult decisions we felt were prudent in light of the current market environment."

Revenue for the six months ended September 30, 2008 was $283.5 million, down 29.9% from the same period a year ago. Net income was $11.1 million for the six-month period, representing a decrease of 79.6% from the prior year excluding non-recurring ABCP related charges. Diluted EPS were $0.21, down 81.1% from the same period a year ago excluding non-recurring ABCP related charges.

Events subsequent to September 30, 2008 that will be booked in Q3/09:

- **Staff restructuring:** As previously announced, Canaccord has implemented a firm-wide restructuring that has resulted in the layoff of approximately 10% of its staff globally. The Company has currently estimated the Q3 fiscal 2009 pre-tax expense to be $6.8 million. In addition, a 10%–20% salary reduction has been implemented for senior executives.
- **Credit provision:** As a result of the volatility and rapid deterioration in the global financial markets during October 2008, a number of the Private Client Services clients experienced losses that resulted in an unsecured exposure. As per the Company's policy of reserving against unsecured balances, the Company has recorded a Q3 fiscal 2009 pre-tax provision of $3.5 million against the unsecured balances. Management will continue to work diligently to collect these balances.
- **Impairment of Enermarket goodwill:** As a result of market conditions prevailing subsequent to September 30, 2008, including the steep decline in oil prices, the earnings prospects for Canaccord Enermarket Ltd. ("Enermarket"), whose primary business is to provide advisory services to companies in the oil and gas industry, have been negatively impacted. Management has concluded that the value of goodwill and intangibles related to Enermarket has been impaired and recorded a charge of $4.0 million in October 2008.

Financial Impact of Above Items:

	Pre-tax charge (C$ millions)	After-tax charge (C$ millions)	Impact on diluted EPS (C$)
Staff restructuring	$ 6.8	$ 5.8	$ (0.11)
Credit provision	$ 3.5	$ 2.4	$ (0.04)
Enermarket goodwill and intangibles impairment	$ 4.0	$ 4.0	$ (0.07)
Total	$ 14.3	$ 12.2	$ (0.22)

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Summary of the financial condition as of September 30, 2008 compared to September 30, 2007:

- Cash and cash equivalents balance of $521.3 million, up $141.6 million from $379.7 million
- Working capital of $308.4 million, up $4.5 million from $303.9 million
- Total shareholders' equity of $414.3 million, up $32.0 million from $382.3 million
- Return on equity ("ROE") of (5.0)%, down from 12.8%
- Book value per diluted common share for the period end was $7.15, down 8.7% or $0.68 from $7.83

Summary of the financial results for the fiscal second quarter 2009 results (three months ended September 30, 2008) compared to the fiscal second quarter 2008 results (three months ended September 30, 2007) excluding non-recurring ABCP related charges:

- Revenue of $110.8 million, down 30.3% or $48.1 million from $158.9 million
- Expenses of $115.8 million, down 14.4% or $19.5 million from $135.3 million
- Net loss of $5.4 million, down $20.7 million from net income of $15.3 million
- Diluted loss per share of $0.11, down $0.42 from EPS of $0.31
- On November 5, 2008, the Board of Directors approved the temporary suspension of Canaccord's quarterly dividend for this quarter. This prudent measure was taken to enable Canaccord to preserve its strong working capital and book value, as well as to position the Company to take advantage of growth opportunities that may present themselves. The Company evaluates the dividend policy on a quarterly basis in the context of the market environment and our business activity.

Summary of the financial results for the first-half fiscal 2009 results (six months ended September 30, 2008) compared to the first-half fiscal 2008 results (six months ended September 30, 2007) excluding non-recurring ABCP related charges:

- Revenue of $283.5 million, down 29.9% or $121.2 million from $404.7 million
- Expenses of $265.0 million, down 17.9% or $57.6 million from $322.6 million
- Net income of $11.1 million, down 79.6% or $43.2 million from $54.3 million
- Diluted EPS of $0.21, down 81.1% or $0.90 from $1.11

Summary of the financial results for the fiscal second quarter 2009 results (three months ended September 30, 2008) compared to the fiscal first quarter 2009 results (three months ended June 30, 2008):

- Revenue of $110.8 million, down 35.8% or $61.9 million from $172.7 million
- Expenses of $115.8 million, down 22.4% or $33.4 million from $149.2 million
- Net loss of $5.4 million, down $21.9 million from net income of $16.5 million
- Diluted loss per share of $0.11, down $0.42 from EPS of $0.31

Summary of Operations:

- As previously announced:
  - John Rothwell has been named Head of Private Client Services, effective October 30, 2008
  - Ken Knowles has joined Canaccord Capital Corporation as Head of Fixed Income
  - Robert Lee has joined Canaccord Capital Corporation as Head of Fixed Income Sales
- Canaccord Adams, our capital markets team, led 31 transactions (1) globally to raise total proceeds of $506.1 million during Q2/09
- During Q2/09, Canaccord Adams led or co-led the following equity transactions:
  - $260.0 million on TSX-V for Gold Wheaton Gold Corporation
  - $125.9 million for MBAC Opportunities Inc.
  - $31.7 million on TSX for Mavrix Explore 2008 FT LP
  - $30.0 million on TSX-V for Potash North Resource Corporation
- Canaccord Adams participated in 51 transactions (1) globally to raise total proceeds of $1.9 billion during Q2/09
- Canaccord Adams ranked number two for 7 completed Private Investment in Public Equity ("PIPE") transactions in North America that raised over US$200.0 million in proceeds during Q2/09
- Assets under administration ("AUA") of $11.6 billion, down 24.2% from the same period a year ago, and down 21.2% from Q1/09
- Assets under management ("AUM") of $609.0 million, down 21.6% from the same period a year ago, and down 18.5% from Q1/09
- As of September 30, 2008, Canaccord had 341 Advisory Teams, down 37 from the same period a year ago, and down 13 from Q1/09. We have hired 4 additional Advisory Teams subsequent to September 30, 2008 and had 345 Advisory Teams as of October 31, 2008

(1) Transactions over $1.5 million

letter to shareholders

The "tsunami" that swept through global financial markets during our second quarter of fiscal 2009 had a major impact on business and investor confidence. With the credit markets effectively shut down and volatility reaching unprecedented levels, most investors stayed on the sidelines, waiting for a more rational order to reassert itself. Investors' reluctance or inability to act had a substantial impact on Canaccord's global business during the quarter. While we were not profitable during our second quarter and were required to make some difficult decisions to protect our strong capital position, we completed the major elements of our 120-Day Plan and filled three key senior management positions in Fixed Income and Private Client Services.

Financial overview

Total revenues declined 30% to $110.8 million in the second quarter of fiscal 2009 compared to the same period last year. The drop in financing activity to historic lows, combined with challenging market conditions in global equity markets, led to a revenue decline of 24% in our Private Client Services group and 35% at Canaccord Adams. Among the geographies, Canaccord Adams' revenue declined 40% in Canada, 44% in the United Kingdom and Other Foreign Location, and 12% in the United States.

Decreased incentive compensation was the primary factor in lower expenses for the three months, which declined 17% to $115.8 million. The net loss for the three months was $5.4 million compared to net income of $12.4 million in the second quarter of fiscal 2008. The diluted loss per share was $0.11 compared to diluted earnings per share of $0.26 in the prior year period.

We are not pleased with these results. They reflect extremely challenging market conditions that have left no one in the financial services industry unscathed. Importantly, Private Client Services generated nearly $8 million in earnings before taxes and overhead allocations for the three months and our Canadian operations were profitable in Q2. Perhaps more importantly, Canaccord remains in excellent financial condition, with $521 million in cash and working capital of $308 million.

The Canaccord Relief Program for our clients who hold eligible ABCP is also fully funded. Unfortunately, the restructuring is now delayed until mid to late November; however, we remain confident of a successful resolution.

Scaling for a slower environment

It is likely that the challenges the financial services industry faces are far from resolved and may continue for another 12 to 24 months. Preserving Canaccord's capital base during what could be a prolonged downturn must be our primary concern. That was the impetus for the decision we took in late October to reduce Canaccord's global workforce by approximately 10%. Every area of the Company has been touched by these layoffs, though we have sought to minimize the impact on the firm's ability to generate revenues. This employee reduction brings our staffing levels in line with expected market activity. Associated with this reduction, Canaccord has booked a provision for severance charges of $6.8 million pre-tax in Q3/09.

Canaccord employees have always taken pride in being part of a close-knit culture. This culture made it difficult to say good-bye to valued colleagues who have contributed so much. We thank those who are leaving for all they have done to foster Canaccord's success as the leading independent investment firm in Canada.

In addition to adjusting staffing levels for expected transaction volumes, we are implementing a variety of initiatives that have come out of our 120-Day Plan. We're confident that these actions will allow us to not only protect our capital but also help Canaccord return to overall profitability:

- Our senior management team will take a 10% to 20% reduction in base compensation.
- We are making further reductions in travel and entertainment expenses.
- We will defer some projects and reduce the cost of support and information technology. We are also exploring opportunities to make more efficient use of our facilities.

The net contribution from these initiatives, including the cost savings from the headcount reduction as well as revenue enhancement, is expected to be in excess of $12 million annually. The combination of the expense reduction program and revenue enhancement we have undertaken, and our balance sheet strength, will put Canaccord into a better position to maintain its competitive position and to take advantage of future opportunities.

Additionally, to preserve our strong working capital and book value in the current business environment, the Board has decided to temporarily suspend the quarterly dividend, effective immediately. We will re-visit our dividend payment next quarter in the context of the market environment and our business activity.

Subsequent events to impact third quarter results

Early in the third quarter, deteriorating market conditions required us to make two decisions that will impact financial results in our fiscal third quarter. First, the current market dislocation has rendered a number of our Private Client Services clients unable to cover margin-related losses in their accounts, leaving Canaccord with unsecured exposure in these cases. In keeping with our prudent accounting policies, we will record a provision of $3.5 million, pre-tax, against this exposure while we continue to work diligently to collect these balances.

Second, management has determined that current market conditions have impaired the value of goodwill we hold on our books for Canaccord Enermarket Ltd. Given Enermarket's ability to generate current or projected long-term earnings has been negatively impacted, we will record an impairment charge of $4.0 million pre-tax against the goodwill and other intangibles assets. This brings the total charge for provisions booked in Q3/09 to $14.3 million pre-tax. This amount includes the severance charge, credit provision, and the Enermarket goodwill and intangibles impairment.

Operational highlights

For all its challenges, the quarter was not without its successes. Globally, Canaccord Adams participated in 51 transactions that raised total proceeds of $1.9 billion. Of these, we led or co-led 31 transactions for proceeds of more than $500 million, including a $260 million issue for Wheaton Gold Corporation on the TSX Venture Exchange. In the US, our team completed seven private placements, which gave us the number two ranking in the sector. In addition, Canaccord Adams' annual Global Growth Conference in Boston was a great success. A record 1,200 institutional investors, company presenters and private equity firms attended the conference this year, a corroboration of the value our clients put on Canaccord's expertise in small- and mid-cap equities.

We were pleased to fill two key positions during the quarter in our Fixed Income group. Ken Knowles is now responsible for leading Canaccord's Fixed Income operations, taking over from Bill Whalen, who has retired. Ken is joined by Robert Lee, Canaccord's new Managing Director and Head of Fixed Income Sales. Ken and Robert each have more than 30 years of financial services experience, most recently with JPMorgan Chase.

As mentioned, Private Client Services made a positive contribution to the firm's financial results despite exceptionally challenging equity markets. The across-the-board decline in global equity values was the key factor in declining assets under administration and assets under management, which fell 24% and 22%, respectively, during the quarter. In addition, we also lost a dozen Advisory Teams over the summer of 2008, though we have subsequently hired four new teams to rebuild our complement.

The job of aggressively growing our Advisory Teams and assets now falls to our new Executive Vice President and Head of Private Client Services, John Rothwell. John is a high-energy leader with more than 30 years of experience in the Canadian investment business. He was most recently president of Wellington West, where he focused on broker recruitment, retail expansion and revenue growth. He was a formidable competitor there, and we are delighted to have John on the leadership team at Canaccord.

Looking ahead

In this letter I have focused on the need to protect the firm's capital. Given all of the factors that make the current market situation truly unprecedented, we cannot reasonably predict the timing of a turnaround in transaction volumes. We must conserve our cash so we can sustain competitive levels of compensation to the professionals who will deliver the ideas that count when market activity resumes. We will continue to prudently monitor and reduce risk. And we must – where prudent and accretive – make investments that position us well for the inevitable turnaround in our markets. We have not lost sight of our global focus nor our sector expertise, and we expect to use the months ahead to enhance the Canaccord brand, as profitably as possible, wherever we operate.

PAUL D. REYNOLDS
President & Chief Executive Officer

management's discussion and analysis

Fiscal second quarter 2009 for the three months and six months ended September 30, 2008 – this document is dated November 6, 2008

The following discussion of the financial condition and results of operations for Canaccord Capital Inc. ("Canaccord") is provided to enable the reader to assess material changes in such financial condition and to assess results for the three- and six-month periods ended September 30, 2008 compared to the corresponding periods in the preceding fiscal year. The three- and six-month periods ended September 30, 2008 are also referred to as the second quarter 2009, Q2/09, fiscal Q2/09 and first-half fiscal year 2009 in the following discussion. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three- and six-month periods ended September 30, 2008 beginning on page 22 of this report; our Annual Information Form dated June 30, 2008; and the 2008 annual Management's Discussion and Analysis ("MD&A") including the audited consolidated financial statements for the fiscal year ended March 31, 2008 ("Audited Annual Consolidated Financial Statements") in Canaccord's Annual Report dated July 8, 2008 ("the Annual Report"). There has been no material change to the information contained in the annual MD&A for fiscal 2008 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The financial information presented in this document is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") unless specifically noted. This MD&A is based on unaudited interim and Audited Annual Consolidated Financial Statements prepared in accordance with Canadian GAAP.

Caution regarding forward-looking statements

This document may contain certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events including business and economic conditions and Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties detailed from time to time in Canaccord's interim and annual consolidated financial statements and its Annual Report and Annual Information Form filed on sedar.com. These forward-looking statements are made as of the date of this document, and Canaccord assumes no obligation to update or revise them to reflect new events or circumstances.

Non-GAAP measures

Certain non-GAAP measures are utilized by Canaccord as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

Canaccord's capital is represented by common shareholders' equity and, therefore, management uses return on average common equity ("ROE") as a performance measure.

Assets under administration ("AUA") and assets under management ("AUM") are non-GAAP measures of client assets that are common to the wealth management aspects of the private client services industry. AUA is the market value of client assets administered by Canaccord from which Canaccord earns commissions or fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Canaccord's method of calculating AUA may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses this measure to assess operational performance of the Private Client Services business segment. AUM includes all assets managed on a discretionary basis under our programs generally described as or known as the *Alliance Program* and *Private Investment Management*. Services provided include the selection of investments and the provision of investment advice. AUM is also administered by Canaccord and is included in AUA.

Excluding ABCP adjustments is a non-GAAP measure that reflects Canaccord's business results excluding the charges related to third party asset-backed commercial paper ("ABCP") for the Canaccord Relief Program and restructuring as well as the fair value adjustment related to the ABCP Canaccord holds in treasury.

Overview

Through its principal subsidiaries, Canaccord Capital Inc. (TSX & AIM: CCI) is a leading independent, full service investment dealer in Canada with capital markets operations in the United Kingdom and the United States. Canaccord is publicly traded on both the Toronto Stock Exchange and AIM, a market operated by the London Stock Exchange. The Company has operations in two of the principal segments of the securities industry: Capital Markets and Private Client Services.

Canaccord's business is cyclical and experiences considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond Canaccord's control. Our business is affected by the overall condition of the North American and European equity markets, including the seasonal variance in these markets.

Business environment

Global capital markets faced an unprecedented amount of volatility during the second quarter of Canaccord's fiscal year. Currency markets shifted from an inflation focus in July, to a pursuit of safety and preservation of capital in August and September. Inter-bank lending slowed to a near halt in the wake of the sub-prime debt crisis, placing further pressure on companies with already strained cash flows. Corporations found it difficult to raise capital and the cost of borrowing rose dramatically.

The "credit crisis" left no financial company completely unscathed and spilled over into other sectors. Even traditionally strong non-financial companies experienced challenges rolling over their commercial paper funding programs to help manage their short-term cash flow needs.

Long-time institutions on Wall Street and large US banks experienced significant changes:

- Lehman Brothers and several other financial institutions were allowed to fail. This created significant financial dislocation for Lehman Brothers' counterparties, including many hedge funds.
- The world's largest insurer, AIG, suffered a crisis in confidence after Lehman Brothers was allowed to fail, and due to AIG's key role as the leading insurer of various credit-related securities, it was bailed out by the US Treasury and Federal Reserve. Similarly, two government sponsored entities, Fannie Mae and Freddie Mac, were essentially nationalized to help reliquify mortgage markets.
- Merrill Lynch was sold to Bank of America and Washington Mutual was sold to JPMorgan Chase, resulting in two well known names in the investment industry being sold at a significant discount to what they were valued at just a few months ago. Wachovia was also sold under duress to Wells Fargo.
- The remaining large independent Wall Street dealers had to significantly reduce the leverage in their balance sheets, and Goldman Sachs, Morgan Stanley and Raymond James applied to switch their status to the much more restrictive bank holding company structure.

Canada was not immune to the financial and economic turmoil of the credit crisis. The fact that there were no initial public offerings on the TSX during Canaccord's second quarter of fiscal 2009 is a reflection of this negative business environment.

Canadian equity markets suffered from global investors selling both commodity currencies and commodity equities. The Canadian dollar dropped from a July peak of parity to the US dollar to the $0.93 level on September 30, 2008. The major equity market, the S&P/TSX Index moved from 14,467 on June 30, 2008 to a close of 11,750 on September 30, 2008. Canadian debt markets saw the treasury bill yields fall dramatically while the yields for the short- to mid-term government debt market rose significantly. Debt markets de-coupled with spreads and absolute yield levels becoming the issue for borrowers.

Since October 1, 2008, aggressive US government intervention was enacted to deal with the jarring impact of ongoing credit contraction on equity and credit markets. An overarching US$700 billion bailout plan was approved by the US House of Representatives on October 4, 2008, with hopes of stabilizing financial markets, cushioning troubled US banks, and providing some liquidity to the US credit market. The bill also included a temporary increase in federal insurance on bank deposits in the event of a bank failure, from US$100,000 to US$250,000. The crisis in confidence persisted despite the US bailout and, as a result, six central banks, including the US Federal Reserve, European Central Bank and the Bank of Canada, enacted a coordinated reduction of 50 basis points of their bank lending rates and further injections of liquidity on October 8, 2008. On October 13, 2008, the US government announced major equity purchases in several US banks – injecting US$250 billion in capital into the firms. The US government also agreed to a three-year guarantee of inter-bank lending. Most recently, the US Federal Reserve announced that it is finalizing a program to become a "buyer of last resort" for troubled commercial paper.

European markets and financial institutions were also adversely affected by the worldwide economic environment. European governments have injected hundreds of billions of euros into European banks and lending companies in a collective effort to keep their countries' credit systems and economies from stalling. The UK government rescued several major financial institutions through forced sales of firms and over £37 billion in equity infusion into major banks – restoring some much

needed capital. Germany, France, Spain, Italy, and other European governments also announced rescue packages totalling hundreds of billions – all in hopes of restabilizing banks and lending companies in their regions. Over €1.3 trillion has already been committed to guarantee bank loans and take stakes in lenders. Further to this, following Ireland's lead, many European countries have made arrangements to guarantee all private bank accounts, agreeing to do "whatever it takes" to prevent losses for depositors in their countries. As a result of the financial crisis, several countries have now requested financial aid from the IMF, including (near-bankrupt) Iceland, as well as Pakistan, Belarus and the Ukraine.

The overall economic climate is being affected by the credit crisis. On October 3, 2008, the US reported its largest monthly job loss in over five years, reaffirming a recession had already started. Nevertheless, the contraction of US consumer spending and the dramatic fall in commodity prices are already being felt by Canadian firms. As a result, declining GDP is forecast for Canada for the last quarter of calendar 2008 and first quarter of 2009. On October 21, 2008, the Bank of Canada cut its key interest rate by an additional quarter of a percent in an attempt to support the Canadian economy in the face of what the central bank has labelled a "global recession". The Bank indicated that more interest rate cuts were likely to come.

The TSX saw several days of record losses in September and early October and experienced a more rapid decline in the S&P/TSX Index than what occurred for the S&P 500 Index especially on a currency adjusted basis. The Canadian dollar experienced an unprecedented decline versus the US dollar; from $0.94 on October 1, 2008, to $0.77 by month end. Hedge fund redemptions in conjunction with mutual fund liquidations and cashing in the remaining values of many 401K plans moved US equities down to levels not seen since the last cycle started in 2003.

Confidence has been viciously challenged. Whether it is US consumer confidence or German business confidence, the picture is gloomy and suggests strongly that the global economy will be weak for the next few quarters. The business question for Canaccord is how much of the economic outlook has already been discounted by both the debt and equity markets. A sustainable economic recovery features the return of liquidity to credit markets to fuel business and consumer activity. We believe the massive government monetary and policy interventions are a positive start. The dramatic price decline of many commodities and most notably crude oil is meaningful to restore some spending power by consumers. Forecasters, including the Bank of Canada, suggest a new economic expansion is unlikely to take hold until 2010. However, it has been the historical experience that markets will anticipate this event well in advance.

Market data

Both year-over-year and quarter-over-quarter trading volumes were relatively neutral or declining for the TSX-V, AIM and the NASDAQ. The TSX did post a 12.2% increase in trading volumes year over year however. Financing values on all exchanges were down compared to Q2/08 and the previous quarter due to the challenging market conditions and volatility.

Financing values for all of Canaccord's focus sectors on AIM fell substantially compared to the previous quarter, while only oil and gas financing grew compared to Q2/08. Financing values on the Canadian Exchanges were also down in all of Canaccord's focus sectors, with more substantial decreases year over year.

Trading volume by exchange (billions of shares)

	July 2008	August 2008	September 2008	Fiscal Q2/09	Change from fiscal Q1/09	Change from fiscal Q2/08
TSX	8.1	6.9	10.7	25.7	3.2%	12.2%
TSX Venture	2.9	2.2	2.9	8.0	(42.4)%	(27.3)%
AIM	11.5	7.3	11.0	29.8	(24.0)%	(6.9)%
NASDAQ	20.0	15.7	22.0	57.7	1.6%	(11.4)%

Source: TSX Statistics, LSE AIM Statistics, Thomson One

Total financing value by exchange

	July 2008	August 2008	September 2008	Fiscal Q2/09	Change from fiscal Q1/09	Change from fiscal Q2/08
TSX and TSX Venture (C$ billions)	2.5	0.9	2.0	5.4	(52.2)%	(46.5)%
AIM (£ billions)	0.5	0.3	0.1	0.9	(55.0)%	(72.7)%
NASDAQ (US$ billions)	2.3	1.1	1.2	4.6	(9.8)%	(56.2)%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

Financing value for relevant AIM industry sectors

(£ millions, except for percentage amounts)	July 2008	August 2008	September 2008	Fiscal Q2/09	Change from fiscal Q1/09	Change from fiscal Q2/08
Oil and gas	£ 159.0	£ 74.0	£ 35.5	£ 268.5	(12.9)%	39.0%
Mining	76.8	4.4	2.3	83.5	(81.8)%	(76.1)%
Pharmaceutical and Biotech	2.7	8.6	3.8	15.1	(60.9)%	(64.9)%
Media	1.2	0.5	0.3	2.0	(89.2)%	(99.0)%
Technology	–	19.0	17.6	36.6	(72.7)%	(72.7)%
Total (of relevant sectors)	**£ 239.7**	**£ 106.5**	**£ 59.5**	**£ 405.7**	**(56.9)%**	**(54.9)%**

Source: LSE AIM Statistics

Financing value for relevant TSX and TSX Venture industry sectors

($ millions, except for percentage amounts)	July 2008	August 2008	September 2008	Fiscal Q2/09	Change from fiscal Q1/09	Change from fiscal Q2/08
Oil and gas	$ 544.9	$ 481.9	$ 28.5	$ 1,055.3	(47.1)%	(68.4)%
Mining	661.8	43.7	35.8	741.3	(23.8)%	(46.2)%
Biotech	32.6	4.5	1.8	38.9	(35.9)%	(67.2)%
Media	–	–	–	–	–	–
Technology	8.7	–	–	8.7	(97.2)%	(85.7)%
Total (of relevant sectors)	**$ 1,248.0**	**$ 530.1**	**$ 66.1**	**$ 1,844.2**	**(47.8)%**	**(62.3)%**

Source: FP Infomart

About Canaccord's operations

Canaccord Capital Inc.'s operations are divided into two business segments: Canaccord Adams (our capital markets operations) and Private Client Services. Together, these operations offer a wide range of complementary investment banking services, investment products, and brokerage services to Canaccord's institutional, corporate and private clients. Canaccord's administrative segment is referred to as Corporate and Other.

Canaccord Adams

Canaccord Adams offers mid-market corporations and institutional investors around the world a seamlessly integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the United States and the United Kingdom.

- Canaccord's research analysts have deep knowledge of more than 550 small to mid-cap companies across eight focus sectors: Mining and Metals, Energy, Technology, Life Sciences, Consumer, Real Estate, Industrial Growth and Sustainability.
- Our Sales and Trading desk executes timely transactions to more than 1,500 institutional relationships around the world, operating as an integrated team on one common platform.
- With more than 100 skilled investment bankers, Canaccord Adams provides clients with deep sector expertise and broad equity transaction and M&A advisory experience.

Revenue from Canaccord Adams is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal and international trading operations.

Private Client Services

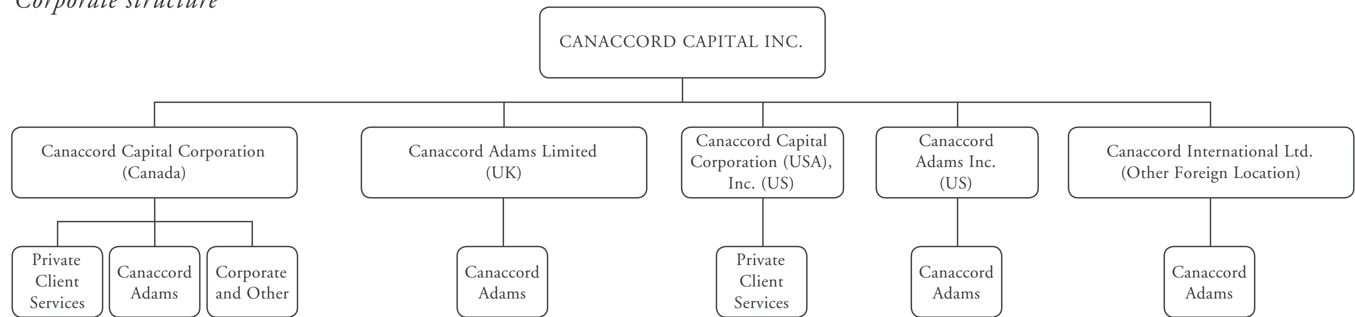
As a leading independent investment dealer, Canaccord's Private Client Services has built its reputation on the quality of our investment ideas. We recognize that the growing complexity of many clients' financial circumstances demands experienced Advisory Teams who can provide solutions and ideas that meet our clients' needs. Many of our Investment Advisors have completed the training required for advanced industry designations such as Chartered Financial Analyst or Certified Investment Manager. We continue to provide our advisors with ongoing training opportunities.

Revenue from Private Client Services is generated through traditional commission-based brokerage services, the sale of fee-based products and services, client-related interest, and fees and commissions earned by Advisory Teams in respect of investment banking and venture capital transactions by private clients.

Corporate and Other

Canaccord's administrative segment, described as Corporate and Other, includes correspondent brokerage services, bank and other interest, and foreign exchange revenue and expenses not specifically allocable to either the Canaccord Adams or Private Client Services divisions. Also included in this segment are Canaccord's operations and support services, which are responsible for front and back-office information technology systems, compliance and risk management, operations, finance and all administrative functions.

Corporate structure



Consolidated operating results

Second quarter and first-half fiscal 2009 summary data (1)

(C$ thousands, except per share, employee and % amounts)	Three months ended September 30 2008	Three months ended September 30 2007	Quarter-over-quarter change	Six months ended September 30 2008	Six months ended September 30 2007	YTD-over-YTD change
Canaccord Capital Inc.						
Revenue						
Commission	$ **60,630**	$ 65,728	(7.8)%	$ **132,626**	$ 151,503	(12.5)%
Investment banking	**34,024**	73,731	(53.9)%	**110,171**	202,356	(45.6)%
Principal trading (2)	**87**	(3,925)	102.2%	**5,998**	2,888	107.7%
Interest	**11,734**	16,273	(27.9)%	**24,063**	32,583	(26.1)%
Other	**4,354**	7,062	(38.3)%	**10,679**	15,409	(30.7)%
Total revenue	$ **110,829**	$ 158,869	(30.2)%	$ **283,537**	$ 404,739	(29.9)%
Expenses						
Incentive compensation	**50,977**	71,416	(28.6)%	**133,704**	192,822	(30.7)%
Salaries and benefits	**14,195**	12,649	12.2%	**29,638**	26,918	10.1%
Other overhead expenses (3)	**50,633**	51,277	(1.3)%	**101,642**	102,822	(1.1)%
ABCP fair value adjustment (4)	**–**	4,399	n.m.	**–**	4,399	n.m.
Total expenses	$ **115,805**	$ 139,741	(17.1)%	$ **264,984**	$ 326,961	(19.0)%
Income (loss) before income taxes	**(4,976)**	19,128	(126.0)%	**18,553**	77,778	(76.1)%
Net income (loss)	**(5,398)**	12,411	(143.5)%	**11,061**	51,440	(78.5)%
Earnings (loss) per share – diluted	**(0.11)**	0.26	(142.3)%	**0.21**	1.07	(80.4)%
Return on average common equity	**(5.0)%**	12.8%	(17.8)p.p.	**5.3%**	26.9%	(21.6)p.p.
Book value per share – period end	**7.15**	7.83	(8.7)%			
Number of employees	**1,688**	1,689	(0.1)%			

(1) Data is considered to be GAAP except for ROE, book value per share and number of employees.
(2) The ABCP fair value adjustment has been recategorized in Q2/08 from principal trading revenue to an expense. This is consistent with the treatment in subsequent periods.
(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
(4) Represents the ABCP fair value adjustment for ABCP held by the Company.
p.p.: percentage points
n.m.: not meaningful

Geographic distribution of revenue (1)

(C$ thousands, except % amounts)	Three months ended September 30 2008	Three months ended September 30 2007	Quarter-over-quarter change	Six months ended September 30 2008	Six months ended September 30 2007	YTD-over-YTD change
Canada	$ **80,750**	$ 117,275	(31.1)%	$ **189,628**	$ 279,368	(32.1)%
UK	**13,096**	20,807	(37.1)%	**46,815**	68,308	(31.5)%
US	**18,309**	20,737	(11.7)%	**43,950**	47,159	(6.8)%
Other Foreign Location	**(1,326)**	50	n.m.	**3,144**	9,904	(68.2)%
Total	$ **110,829**	$ 158,869	(30.2)%	$ **283,537**	$ 404,739	(29.9)%

(1) For a business description of Canaccord's geographic distribution please refer to the "About Canaccord's Operations" section on page 8.
n.m.: not meaningful

Second quarter 2009 vs. second quarter 2008

On a consolidated basis, revenue is generated through five activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, principal trading, interest and other. Revenue for the three months ended September 30, 2008 was $110.8 million, down $48.0 million compared to the same period a year ago.

For the second quarter of fiscal 2009, revenue generated from commissions was $60.6 million, a decrease of 7.8% compared to the same period a year ago largely due to the turbulent market conditions during the quarter. Investment banking revenue was $34.0 million, a decrease of $39.7 million primarily due to lower financing activity related to the volatile markets and the credit crunch. Principal trading experienced a gain of $0.1 million compared to a loss of $3.9 million during the same period a year ago. Interest revenue was $11.7 million, a decrease of 27.9% mainly due to lower interest rates and smaller clients receivable balances. Other revenue decreased to $4.4 million from $7.1 million compared to Q2/08 mainly due to a decrease in foreign exchange gains during Q2/09.

Second quarter revenue in Canada was $80.8 million, a drop of 31.1% or $36.5 million from the same quarter a year ago. Revenue in the UK also declined by 37.1% to $13.1 million compared to the same period a year ago. In the US, revenue was $18.3 million, a decrease of 11.7% compared to Q2/08. Other foreign location revenue decreased by $1.4 million compared to the same quarter in the prior year. The overall decrease in revenue across geographies was mainly attributed to the financial credit crisis that significantly impacted global equity markets during the second quarter of fiscal 2009.

First-half fiscal year 2009 vs. first-half fiscal year 2008

Revenue for the six months ended September 30, 2008 was $283.5 million, down 29.9% or $121.2 million compared to the same period a year ago. Revenue generated from commissions decreased by 12.5% to $132.6 million compared to the prior year largely due to the declining market conditions in the first-half of fiscal year 2009. Investment banking revenue was $110.2 million, representing a drop of 45.6% primarily due to the decreased financing activity in equity markets across the geographies where we operate.

Principal trading experienced an overall increase of $3.1 million to $6.0 million compared to the same period last year. Interest revenue was $24.1 million, a drop of 26.1% due to lower client interest revenue. Other revenue decreased by $4.7 million to $10.7 million during the first-half fiscal year 2009 as a result of lower foreign exchange gains.

Year-to-date revenue in Canada was $189.6 million, a decrease of 32.1% or $89.7 million from the same period a year ago. First-half fiscal year 2009 revenue in the UK was $46.8 million, a drop of 31.5% or $21.5 million from the same period a year ago. Revenue in the US was $44.0 million, a decrease of 6.8% or $3.2 million compared to the first-half fiscal year 2008. Revenue from Other foreign location was $3.1 million compared to $9.9 million in the six months ended September 30, 2007. The overall decrease in revenue across the various operations was a result of the liquidity challenges that affected markets globally.

Expenses as a percentage of revenue

	Three months ended September 30		Quarter-over-quarter change	Six months ended September 30		YTD-over-YTD change
in percentage points	*2008*	*2007*		*2008*	*2007*	
Incentive compensation	**46.0%**	45.0%	1.0 p.p.	**47.2%**	47.6%	(0.4) p.p.
Salaries and benefits	**12.8%**	7.9%	4.9 p.p.	**10.4%**	6.7%	3.7 p.p.
Other overhead expenses [1]	**45.7%**	32.3%	13.4 p.p.	**35.8%**	25.4%	10.4 p.p.
ABCP fair value adjustment [2]	**–**	2.8%	(2.8) p.p.	**–**	1.1%	(1.1) p.p.
Total	**104.5%**	88.0%	16.5 p.p.	**93.4%**	80.8%	12.6 p.p.

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
(2) Represents the ABCP fair value adjustment for ABCP held by the Company.
p.p.: percentage points

Second quarter 2009 vs. second quarter 2008

Expenses for the three months ended September 30, 2008 were $115.8 million, a decrease of 17.1% or $23.9 million from a year ago. The overall decrease in expenses was largely due to lower incentive compensation expense, which decreased 28.6% or $20.4 million, consistent with the 30.2% decrease in total revenue.

The decrease in incentive compensation expense was partially offset by an increase in salaries and benefits. Salaries and benefits expense was $14.2 million in the second quarter of fiscal 2009, an increase of $1.5 million or 12.2% from the same period a year ago. The increase was mainly attributed to the net increase of 18 employees hired in our UK operations and 23 employees hired in our Corporate and Other segment to enhance our operations and support services. The total compensation (incentive compensation plus salaries) payout as a percentage of consolidated revenue for Q2/09 was 58.8% compared to 52.9% in Q2/08, an increase of 5.9 percentage points.

First-half fiscal year 2009 vs. first-half fiscal year 2008

Expenses for the six months ended September 30, 2008 were $265.0 million, an overall decrease of $62.0 million or 19.0% from a year ago. Incentive compensation expense was $133.7 million, a decrease of 30.7%, which was consistent with the 29.9% decrease in total revenue. Consolidated incentive compensation as a percentage of total revenue was 47.2%, a decrease of 0.4 percentage points.

Salaries and benefits expense was $29.6 million, an increase of 10.1% in the first half of fiscal 2009 compared to the same period a year ago for the same reasons mentioned above. The total compensation (incentive compensation plus salaries) payout as a percentage of consolidated revenue was 57.6%, an increase of 3.3 percentage points from 54.3% in the first six months of fiscal 2008.

Other overhead expenses

(C$ thousands, except % amounts)	Three months ended September 30 2008	Three months ended September 30 2007	Quarter-over-quarter change	Six months ended September 30 2008	Six months ended September 30 2007	YTD-over-YTD change
Trading costs	$ 6,717	$ 7,249	(7.3)%	$ 13,038	$ 14,207	(8.2)%
Premises and equipment	5,957	5,735	3.9%	11,742	10,994	6.8%
Communication and technology	6,539	5,813	12.5%	12,702	11,552	10.0%
Interest	3,354	6,413	(47.7)%	7,313	12,581	(41.9)%
General and administrative	19,611	15,755	24.5%	38,888	34,026	14.3%
Amortization	2,072	2,146	(3.4)%	4,114	4,123	(0.2)%
Development costs	6,383	8,166	(21.8)%	13,845	15,339	(9.7)%
ABCP fair value adjustment (1)	–	4,399	n.m.	–	4,399	n.m.
Total other overhead expenses	$ 50,633	$ 55,676	(9.1)%	$ 101,642	$ 107,221	(5.2)%

(1) Represents the ABCP fair value adjustment for ABCP held by the Company.
n.m.: not meaningful

Second quarter 2009 vs. second quarter 2008

Other overhead expenses decreased 9.1% to $50.6 million for the second quarter of fiscal 2009 compared to the same period a year ago. The main reason for the decrease was a non-recurring ABCP fair value adjustment of $4.4 million that was recognized in the second quarter 2008. Also contributing to the overall decrease in other overhead expenses was interest expense, which decreased by $3.1 million or 47.7%, compared to the same quarter a year ago. The decrease in interest expense was mainly due to smaller clients payable balances and lower interest rates compared to the same period a year ago.

This decrease was partially offset by a $3.9 million or 24.5% increase in general and administrative expense. This increase in general and administrative expense primarily related to a $1.9 million non-recurring expense for consultancy fees incurred to upgrade internal infrastructure, which is substantially completed. Reserves expense increased by $1.3 million based on an assessment of current market conditions.

Development costs for Q2/09 were $6.4 million, a drop of 21.8% or $1.8 million from the previous year. There were less hiring incentives incurred in the current volatile market, which resulted in the decrease.

Net loss for Q2/09 was $5.4 million, a drop of $17.8 million compared to net income of $12.4 million from a year ago. Diluted loss per share was $0.11, a decrease of $0.37 or 142.3%. The decrease in EPS was due to the decline in net income as well as the issuance of 6,733,250 common shares in connection with the equity financing in May 2008. ROE for Q2/09 was (5.0)% compared to ROE of 12.8% a year ago. Book value per diluted share for Q2/09 decreased by 8.7% to $7.15 compared to Q2/08.

Income tax expense was $0.4 million in Q2/09 despite reporting a net loss before income taxes, due to certain expenses not being deductible for tax purposes and a valuation allowance for a portion of a future income tax asset.

First-half fiscal year 2009 vs. first-half fiscal year 2008

Other overhead expenses for the six months ended September 30, 2008 decreased by 5.2% or $5.6 million to $101.6 million from the same period a year ago. The main reason for the decrease was the non-recurring $4.4 million ABCP fair value adjustment recognized in the first-half of fiscal year 2008. The remaining decrease in overhead expenses was due to interest expense, which dropped 41.9% or $5.3 million, and development costs which decreased $1.5 million. The decrease in interest expense was the result of a drop in clients payable balances in addition to lower interest rates. As discussed above, the decrease in development costs was a result of a decline in hiring incentives paid, particularly in the US operations.

The decrease in overhead expense was offset by an increase in general and administrative expense, which increased by $4.9 million. The increase in general and administrative expense for the first half of fiscal 2009 related mostly to non-recurring consultancy fees incurred to upgrade internal infrastructure and also an increase in reserves expense.

Net income for the first half of fiscal 2009 was $11.1 million, a decrease of 78.5% or $40.4 million from the same period a year ago. Diluted EPS were $0.21, down $0.86, and ROE was 5.3% compared to 26.9% a year ago. This decrease was due to lower net income resulting from the negative impact of the credit crunch in the global markets during fiscal 2009 as well as the share issuance as discussed previously. Book value per diluted share at the period end decreased by 8.7% to $7.15.

Income tax expense was $7.5 million in the first half of fiscal 2009, a decrease of $18.8 million. The year-to-date effective tax rate was 40.4% compared to 33.9% for the same period last year. The increase in effective tax rate was due in part to certain expenses not being deductible for tax purposes as well as changes in estimates. The amount of current year-to-date non-deductible expenses is comparable to that for the same period last year but has a more significant impact on our effective tax rate due to the lower taxable income. The higher effective tax rate also reflected a valuation allowance for a portion of a future income tax asset.

Results of operations

Canaccord Adams [1]

(C$ thousands, except employees and % amounts)	Three months ended September 30 2008	Three months ended September 30 2007	Quarter-over-quarter change	Six months ended September 30 2008	Six months ended September 30 2007	YTD-over-YTD change
Canaccord Adams						
Revenue	**$ 58,336**	$ 89,071	(34.5)%	**$ 163,129**	$ 244,094	(33.2)%
Expenses						
Incentive compensation	**29,998**	42,205	(28.9)%	**82,527**	118,408	(30.3)%
Salaries and benefits	**3,919**	3,194	22.7%	**8,142**	7,213	12.9%
Other overhead expenses	**29,233**	27,583	6.0%	**57,501**	53,710	7.1%
ABCP fair value adjustment [2]	**–**	1,146	n.m.	**–**	1,146	n.m.
Total expenses	**$ 63,150**	$ 74,128	(14.8)%	**$ 148,170**	$ 180,477	(17.9)%
Income before income taxes [3]	**(4,814)**	14,943	(132.2)%	**14,959**	63,617	(76.5)%
Income before ABCP fair value adjustment and taxes	**(4,814)**	16,089	(129.9)%	**14,959**	64,763	(76.9)%
Number of employees	**551**	535	3.0%			

(1) Data is considered to be GAAP except for number of employees and income before ABCP adjustments.
(2) Represents the ABCP fair value adjustment for ABCP held by the Company.
(3) Income before income taxes excludes allocated overhead expenses that are included in Corporate and Other segment expenses.
n.m.: not meaningful

Revenue from Canaccord Adams is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity as well as trading gains and losses from Canaccord's principal and international trading operations.

Second quarter 2009 vs. second quarter 2008

Total revenue for Canaccord Adams in Q2/09 was $58.3 million, a decrease of $30.7 million from the same quarter a year ago due to challenging market conditions as described in the "Business environment" section on page 6.

Revenue from Canadian Operations

As a result of these market challenges, our Canadian operations generated fiscal second quarter 2009 revenue of $29.1 million, a decrease of 39.8% compared to a year ago. Canaccord Adams' Canadian revenue is made up of the following revenue streams: capital markets, international trading, registered traders, and fixed income. The decrease in revenue was mainly attributed to the drop in capital markets revenue of $15.7 million. International trading decreased by $1.4 million and registered trading decreased by $1.6 million. The decrease in capital markets revenue was consistent with the significant drop in financing activity and the challenging market conditions in the Canadian equity markets. Revenue from Canadian operations represents 49.9% of Canaccord Adams' total revenue.

Revenue from UK Operations

Revenue from our UK operations was $13.1 million, a drop of 37.1% from the same period a year ago due to a general slowdown in the market. UK revenue of $13.1 million represents 22.4% of Canaccord Adams' total revenue.

Revenue from US Operations

In the US, revenue was $17.5 million, a decrease of 12.0% from a year ago. This represents 30.0% of Canaccord Adams' total revenue. The decrease in revenue was due to the financial crisis that impacted the equity markets significantly during the second quarter of fiscal 2009.

Revenue from Other Foreign Location

Revenue from Other Foreign Location was a loss of $1.3 million compared to revenue of $0.05 million in Q2/08. In any quarter, revenue in this region represents a small number of transactions and is therefore very irregular.

Expenses

Expenses for Q2/09 were $63.2 million, a drop of $11.0 million compared to the same period in the prior year. The largest decrease in non-compensation expenses was in development costs, a decrease of $1.9 million, which was offset by an increase in general and administrative expense of $2.4 million. The increase in general and administrative expense was mainly due to non-recurring consultancy fees incurred to upgrade internal infrastructure. Development costs decreased due to fewer hiring incentives incurred in our US operations. In the same prior year period, there was also a $1.1 million non-recurring expense resulting from the ABCP fair value adjustment to the ABCP Canaccord holds in treasury.

The decrease in incentive compensation for the quarter of $12.2 million was consistent with the decline in revenue during the quarter. Salary and benefits expense for the quarter increased $0.7 million or 22.7% compared to a year ago. This increase was largely due to the increase in employees hired for our UK operations. The total compensation expense payout as a percentage of revenue for the quarter was 58.1%, which was an increase of 7.1 percentage points from Q2/08.

Loss before income taxes and corporate overhead allocations for the quarter was $4.8 million, representing a decrease in net income of $19.8 million or 132.2% from the same quarter a year ago.

First-half fiscal year 2009 vs. first-half fiscal year 2008

Revenue for Canaccord Adams for the first half of fiscal 2009 was $163.1 million, which decreased $81.0 million from the same period last year due to declining capital markets in all geographies where we operate, particularly during Q2/09.

Revenue from Canadian Operations

In Canada, revenue was $71.1 million, a decrease of 41.1% from the same period a year ago. Within Canada, $57.8 million was derived from investment banking and equities activity while $13.3 million was from our international trading, registered traders and fixed income operations. The overall reduction in revenue from the Canadian operations was largely due to the weak capital markets both in Canada and globally, particularly during Q2/09. Overall, our Canadian revenue represented 43.5% of Canaccord Adams' total revenue.

Revenue from UK Operations

Our UK revenue was $46.8 million, a decrease of $21.5 million from the same period a year ago due to slower market conditions. Revenue from our UK operations represented 28.7% of Canaccord Adams' total revenue.

Revenue from US Operations

In the US, revenue was $42.0 million, a drop of $3.1 million or 6.8% compared to the same period a year ago. The decrease is attributed to the declining markets and recessionary economy in the US. Revenue from US operations represented 25.8% of Canaccord Adams' total revenue.

Revenue from Other Foreign Location

Revenue from Other Foreign Location was $3.2 million, down by $6.8 million compared to Q2/08. Revenue from Other Foreign Location represents 2.0% of Canaccord Adams' total revenue. Revenue in this region represents a small number of transactions and is therefore very irregular.

Expenses

Expenses for the first half of fiscal 2009 were $148.2 million, a decrease of $32.3 million. Incentive compensation was $82.5 million, a decrease of $35.9 million or 30.3% compared to the same period a year ago. This decrease is consistent with the 33.2% drop in total revenue during the first six months of the fiscal year.

Salary and benefits expense for the first half of fiscal 2009 increased by $0.9 million from a year ago mainly due to a net increase of 16 additional staff, particularly in our UK operations. The total compensation expense payout as a percentage of revenue for the first half of fiscal 2009 was 55.6%, an increase of 4.1 percentage points from 51.5% for the same period a year ago.

Development costs also decreased by $2.1 million to $7.8 million during the first half of fiscal 2009 mainly due to a decrease in hiring incentives incurred in our US operations. This was offset by a $4.0 million increase in general and administrative expense, which was $24.3 million for the first half of fiscal 2009. General and administrative expense increased due to non-recurring consultancy fees paid to upgrade our internal infrastructure as well as an increase in reserves expense.

Income before income taxes and corporate overhead allocations for the period was $15.0 million, a decrease of $48.7 million from the same period a year ago.

Private Client Services [1]

(C$ thousands, except AUM and AUA, which are in C$ millions; employees; Advisory Teams; and % amounts)	Three months ended September 30		Quarter-over-quarter change	Six months ended September 30		YTD-over-YTD change
	2008	2007		2008	2007	
Revenue	$ 43,844	$ 57,415	(23.6)%	$ 101,697	$ 133,498	(23.8)%
Expenses						
Incentive compensation	20,116	25,351	(20.7)%	47,066	63,031	(25.3)%
Salaries and benefits	3,477	3,510	(0.9)%	7,258	7,559	(4.0)%
Other overhead expenses	12,318	15,178	(18.8)%	26,270	30,597	(14.1)%
Total expenses	$ 35,911	$ 44,039	(18.5)%	$ 80,594	$ 101,187	(20.4)%
Income before income taxes [2]	7,933	13,376	(40.7)%	21,103	32,311	(34.7)%
Assets under management	609	777	(21.6)%			
Assets under administration	11,584	15,288	(24.2)%			
Number of Advisory Teams	341	378	(9.8)%			
Number of employees	744	784	(5.1)%			

(1) Data is considered to be GAAP except for AUM, AUA, number of Advisory Teams, and number of employees.
(2) Income before income taxes excludes allocated overhead expenses that are included in Corporate and Other segment expenses.

Revenue from Private Client Services is generated through traditional commission-based brokerage services, the sale of fee-based products and services, client-related interest, and fees and commissions earned by Advisory Teams in respect of investment banking and venture capital transactions by private clients.

Second quarter 2009 vs. second quarter 2008
Revenue from Private Client Services was $43.8 million, a decrease of $13.6 million mainly due to the deteriorating market conditions in North America during the quarter. AUA decreased by $3.7 billion to $11.6 billion. AUM declined by 21.6% year over year to $609 million. The decrease in AUA and AUM was due to lower market value of assets and declining investor confidence in Q2/09. There were 341 Advisory Teams at the end of the second quarter of fiscal 2009, a drop of 37 from 378 a year ago. There were 4 new Advisory Teams hired subsequent to September 30, 2008, and Canaccord had 345 Advisory Teams as of October 31, 2008. Fee-related revenue as a percentage of total Private Client Services revenue increased by 3.3 percentage points to 19.3% from the same period last year. The increase was the result of fee-related revenue remaining stable compared to prior periods while other Private Client Services revenue declined.

Expenses for Q2/09 were $35.9 million, down $8.1 million or 18.5%. The decline in incentive compensation of $5.2 million or 20.7% was the main contributor to the overall decrease in total expenses during the quarter. This decrease in incentive compensation was consistent with the 23.6% decrease in total revenue. The total compensation expense payout as a percentage of revenue for the quarter was 53.8%, an increase of 3.5 percentage points from 50.3% for the same period a year ago.

The largest decrease in non-compensation expenses was the drop in interest expense of 54.8% or $3.0 million due to lower interest rates and smaller cash balances in our client accounts this year versus last year.

Income before income taxes and corporate allocations for the quarter was $7.9 million, a decrease of 40.7% or $5.4 million from the same period a year ago.

First-half fiscal year 2009 vs. first-half fiscal year 2008
Revenue from Private Client Services was $101.7 million, a decrease of $31.8 million mainly due to weakening market conditions in North America during the first-half of fiscal year 2009. Fee-related revenue as a percentage of total Private Client Services revenue increased by 3.6 percentage points to 17.3% compared to the same period last year. The increase was as a result of fee-related revenue remaining stable compared to prior periods while total Private Client Services revenue declined.

Expenses for the six months ended September 30, 2008 were $80.6 million, a decrease of $20.6 million or 20.4%. The largest decreases in expenses were incentive compensation expense, which declined $16.0 million, and interest expense, which dropped $5.1 million. Incentive compensation decreased by 25.3% which was in line with the 23.8% decrease in total revenue. Interest expense decreased due to lower interest rates and smaller cash balances in our client accounts this year versus last year. The total compensation expense payout as a percentage of revenue for the first six months of fiscal 2009 was 53.4%, an increase of 0.5 percentage points from 52.9% for the same period a year ago. Trading costs also decreased by $1.1 million or 24.2% due to decreased trading activity.

The decreases were offset by an increase in general and administrative expense of $1.6 million or 28.9%, which was mainly due to a combination of an increase in professional fees and reserves expense.

Income before income taxes and corporate allocations for the first half of fiscal 2009 was $21.1 million, a decrease of 34.7% from the same period a year ago.

Corporate and Other (1)

(C$ thousands, except employees and % amounts)	Three months ended September 30 2008	Three months ended September 30 2007	Quarter-over-quarter change	Six months ended September 30 2008	Six months ended September 30 2007	YTD-over-YTD change
Revenue	$ **8,649**	$ 12,383	(30.2)%	$ **18,711**	$ 27,147	(31.1)%
Expenses						
Incentive compensation	**863**	3,860	(77.6)%	**4,111**	11,383	(63.9)%
Salaries and benefits	**6,799**	5,945	14.4%	**14,238**	12,146	17.2%
Other overhead expenses	**9,082**	8,516	6.6%	**17,871**	18,515	(3.5)%
ABCP fair value adjustment (2)	**–**	3,253	n.m.	**–**	3,253	n.m.
Total expenses	$ **16,744**	$ 21,574	(22.4)%	$ **36,220**	$ 45,297	(20.0)%
Loss before income taxes	**(8,095)**	(9,191)	(11.9)%	**(17,509)**	(18,150)	(3.5)%
Loss before ABCP fair value adjustment and income taxes (1)	**(8,095)**	(5,938)	36.3%	**(17,509)**	(14,897)	17.5%
Number of employees	**393**	370	6.2%			

(1) Data is considered to be GAAP except for number of employees and loss excluding fair value adjustments.
(2) Represents the ABCP fair value adjustment for ABCP held by the Company.

Canaccord's administrative segment, described as Corporate and Other, includes correspondent brokerage services, bank and other interest, and foreign exchange revenue and expenses not specifically allocable to either the Canaccord Adams or Private Client Services divisions. Also included in this segment are Canaccord's operations and support services, which are responsible for front and back-office information technology systems, compliance and risk management, operations, finance, and all administrative functions.

Second quarter 2009 vs. second quarter 2008
Revenue for the three months ended September 30, 2008 was $8.6 million, a decrease of $3.7 million from the same quarter a year ago. The change was partially related to a decrease in foreign exchange gains compared to the prior year. Foreign exchange gains decreased $1.5 million or 51.7% during the quarter to $1.4 million. Interest revenue also decreased by $2.4 million or 33.2% compared to the same period a year ago as a result of lower interest rates.

Fiscal 2009 second quarter expenses were $16.7 million, a drop of 22.4%. A portion of the decrease was due to the $3.3 million ABCP non-recurring fair value adjustment recognized in Q2/08. Incentive compensation also decreased by $3.0 million due to lower profitability of the consolidated group of companies. This was partially offset by a $0.9 million increase in salaries and benefits due to the hiring of an additional 23 employees in the Corporate and Other segment of the Canadian operations. Most of the new employees were hired to enhance our operations and support services. General and administrative expense also increased by $0.9 million partially due to a timing difference of donation expense incurred this quarter.

Loss before income taxes was $8.1 million, representing a $1.1 million improvement from the same quarter a year ago.

First-half fiscal year 2009 vs. first-half fiscal year 2008
Revenue was $18.7 million, a decrease of $8.4 million from the same period a year ago for the same reasons mentioned above.

Expenses for the first half of fiscal 2009 were $36.2 million, a decrease of $9.1 million. A portion of the decrease was due to a $3.3 million ABCP fair value adjustment recognized in the prior year. In addition, there was a net decrease in total compensation expense of $5.2 million or 22.0% for the same reasons mentioned above.

Overall, loss before income taxes was $17.5 million representing a $0.6 million improvement from the same period a year ago.

Financial condition

Below are specific changes in selected balance sheet items.

Assets
Cash and cash equivalents were $521.3 million on September 30, 2008 compared to $435.6 million on March 31, 2008. Refer to the "Liquidity and Capital Resources" section for more details.

Securities owned were $56.1 million compared with $92.8 million on March 31, 2008. The decrease related mainly to fewer financings that were committed at September 30, 2008 as well as a decrease in market value of securities.

Accounts receivable were $1.2 billion compared to $1.4 billion on March 31, 2008. The decrease mainly related to a decline in receivable balances from clients and brokers and investment dealers.

Other assets decreased by $10.1 million compared to March 31, 2008 mainly due to a decrease in future income taxes which was partially offset by an increase in income taxes receivable.

Liabilities
Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. On September 30, 2008 there was bank indebtedness of $6.9 million compared to $15.0 million on March 31, 2008.

Accounts payable were $1.5 billion compared to $1.7 billion at March 31, 2008, a decrease of $0.2 billion mainly related to a decrease in payable balances to clients and brokers and investment dealers.

Other liabilities increased by $1.4 million compared to March 31, 2008 due to an increase in marketable securities sold short.

Off-balance sheet arrangements
At September 30, 2008, Canaccord had credit facilities with banks in Canada, the UK and the US in an aggregate amount of $491.1 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities are collateralized by either unpaid securities and/or securities owned by the Company. A subsidiary of the Company has entered into irrevocable standby letters of credit from a financial institution totalling $2.4 million (US$2.3 million) as rent guarantees for its leased premises in Boston, New York and San Francisco. As of September 30, 2008, there were no outstanding balances under these standby letters of credit.

In connection with the Canaccord Relief Program, the Company entered into two letters of credit in April 2008 to facilitate the funding of the relief program. Subject to certain terms and conditions, the letters of credit will be drawn upon successful completion of the Canaccord Relief Program.

Liquidity and capital resources
Canaccord has a capital structure comprising share capital, retained earnings and accumulated other comprehensive losses. On September 30, 2008, cash and cash equivalents net of call loans were $514.5 million, an increase of $93.9 million from $420.6 million as of March 31, 2008. During the quarter ended September 30, 2008, financing activities used cash in the amount of $26.7 million, which was primarily due to the purchase of common shares related to Canaccord's long term incentive plan ("LTIP") of $13.0 million, and dividend payments of $13.5 million. Investing activities used cash in the amount of $2.1 million for the purchase of equipment and leasehold improvements. Operating activities used cash in the amount of $10.1 million for the quarter, which was due to net change in non-cash working capital items, net loss and items not affecting cash.

Canaccord's business requires capital for operating and regulatory purposes. The majority of current assets reflected on Canaccord's balance sheet are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their market value. The market value of these securities fluctuates daily as factors such as changes in market conditions, economic conditions and investor outlook affect market prices. Clients receivable balances are secured by readily marketable securities and are reviewed daily for impairment in value and collectibility. Receivable and payable balances from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts.

Canaccord is committed to minimum lease payments for premises and equipment over the next five years. The following table summarizes the approximate amount of Canaccord's consolidated long-term contractual obligations as of September 30, 2008.

	Contractual obligation payments due by period				
(C$ thousands)	***Total***	*Fiscal 2010*	*Fiscal 2011–Fiscal 2012*	*Fiscal 2013–Fiscal 2014*	*Thereafter*
Premises and equipment operating leases	**$ 140,693**	$ 22,506	$ 37,759	$ 32,368	$ 48,060

Outstanding share data

	Outstanding shares as of September 30	
	2008	2007
Issued shares excluding unvested shares (1)	**48,273,824**	44,548,023
Issued shares outstanding (2)	**54,552,553**	47,866,229
Diluted shares (3)	**57,981,364**	48,829,916
Average shares outstanding – basic	**48,247,858**	45,195,734
Average shares outstanding – diluted (4)	**53,956,302**	48,284,775

(1) Excludes 2,949,931 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs and 3,328,798 unvested shares purchased by employee benefit trust for the LTIP.
(2) Includes 2,949,931 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs and 3,328,798 unvested shares purchased by employee benefit trust for the LTIP.
(3) Includes dilutive earned shares under our stock-based compensation plans.
(4) This is the diluted share number used to calculate diluted EPS.

At September 30, 2008, Canaccord had 54,552,553 common shares issued and outstanding, an increase of 6,686,324 common shares from September 30, 2007 due to the net effect of shares issued relating to the equity financing in May 2008, shares issued in connection with stock-based compensation plans and shares cancelled.

On May 2, 2008, the Company closed a fully underwritten financing of 5,855,000 common shares at a price of $10.25 per share for total gross proceeds of $60.0 million. On May 22, 2008, the underwriters exercised an over-allotment option in connection with the financing to purchase an additional 878,250 common shares at a price of $10.25 per share for gross proceeds of $9.0 million. The net proceeds of the offering will be used for business development and general corporate purposes.

The Company renewed its normal course issuer bid ("NCIB") and is currently entitled to acquire up to 2,391,753 of its shares from December 31, 2007 to December 30, 2008, which represented 5% of its shares outstanding as of December 21, 2007. There were 100,000 shares purchased through NCIB and subsequently cancelled in July 2008. The employee benefit trust also purchased an aggregate of 2,075,432 shares for the Company's LTIP between December 21, 2007 and September 30, 2008, which reduced the number of shares allowable under the NCIB. The number of shares available for purchase under the NCIB as of September 30, 2008 is 216,321.

Stock-based compensation plans

Adams Harkness

In connection with the acquisition of Adams Harkness Financial Group Inc. ("Adams Harkness"), a retention plan was established. On January 3, 2006, Canaccord completed the acquisition of Adams Harkness (renamed Canaccord Adams Inc.) which was a privately held Boston, Massachusetts-based institutional investment bank. A retention plan was established, which provides for the issuance of up to 1,118,952 common shares after a three-year vesting period. The total number of shares to be vested is also based on revenue earned by Canaccord Adams Inc. subsequent to the date of acquisition. As revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost, and the applicable number of retention shares will be included in weighted average diluted common shares outstanding. After forfeitures, the number of shares subject to the retention plan was 772,473.

Stock options

The Company granted stock options to purchase common shares of the Company to independent directors. The independent directors have been granted the option to purchase up to an aggregate of 275,000 common shares of the Company. The stock options vest over a four-year period and expire seven years after the grant date. The weighted average exercise price of the stock options is $15.54.

Long term incentive plan

Under the LTIP, eligible participants are awarded restricted share units ("RSUs") which vest over three years. For employees in Canada, an employee benefit trust (the "Trust") has been established, and either (a) the Company will fund the Trust with cash which will be used by a trustee to purchase common shares of the Company on the open market that will be held in trust by the trustee until RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of RSUs. For employees in the United States and the United Kingdom, at the time of each RSU award, the Company will allot common shares, and these shares will be issued from treasury at the time they vest for each participant. The shares issued as part of the LTIP will generally be offset by purchases under the Company's NCIB.

International Financial Centre

Canaccord is a member of the International Financial Centre Vancouver and International Financial Centre Montreal, which provide certain tax and financial benefits pursuant to the *International Financial Business (Tax Refund) Act* of British Columbia and the *Act Respecting International Financial Centres* of Quebec. Accordingly, Canaccord's overall income tax rate is less than the rate that would otherwise be applicable.

Foreign exchange

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the year. On September 30, 2008, forward contracts outstanding to sell US dollars had a notional amount of US$9.5 million, down from US$26.5 million a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$5.5 million, down from US$9.5 million compared to a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in London, England are conducted in pounds sterling; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in pounds sterling.

Related party transactions

Security trades executed for employees, officers and directors of Canaccord are transacted in accordance with terms and conditions applicable to all clients. Commission income on such transactions in the aggregate is not material in relation to the overall operations of Canaccord.

Critical accounting estimates

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with Canadian GAAP and are described in Note 1 to the Audited Annual Consolidated Financial Statements. The accounting policies described below require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements. Because of their nature, estimates require judgment based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements.

Revenue recognition and valuation of securities

Securities owned and sold short, including share purchase warrants and options, are categorized as held for trading as per Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *"Financial Instruments – Recognition and Measurement"*, and are recorded at market value with unrealized gains and losses recognized in net income. In the case of publicly traded securities, market value is determined on the basis of market prices from independent sources, such as listed exchange prices or dealer price quotations. Adjustments to market prices are made for liquidity, relative to the size of the position, holding periods and other resale restrictions, if applicable. Investments in illiquid or non-publicly traded securities categorized as held for trading will be measured at fair value determined by a valuation model. There is inherent uncertainty and imprecision in estimating the factors that can affect value and in estimating values generally. The extent to which valuation estimates differ from actual results will affect the amount of revenue or loss recorded for a particular security position in any given period. With Canaccord's security holdings consisting primarily of publicly traded securities, our procedures for obtaining market prices from independent sources, the validation of estimates through actual settlement of transactions and the consistent application of our approach from period to period, we believe that the estimates of market value recorded are reasonable.

Asset-backed commercial paper

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Company's holdings in ABCP. As there is no available market price, the Company estimates the fair value of its ABCP by discounting expected future cash flows on a probability weighted basis considering the best available data. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods. Refer to Note 7 in the Audited Annual Consolidated Financial Statements for further details.

Provisions

Canaccord records provisions related to pending or outstanding legal matters and doubtful accounts associated with clients receivable, loans, advances and other receivables. Provisions in connection with legal matters are determined on the basis of management's judgment in consultation with legal counsel, considering such factors as the amount of the claim, the possibility of wrongdoing by an employee of Canaccord and precedents. Clients receivable balances are generally collateralized by securities and, therefore, any impairment is generally measured after considering the market value of the collateral.

Provisions in connection with other doubtful accounts are generally based on management's assessment of the likelihood of collection and the recoverable amount. Provisions are also recorded utilizing discount factors in connection with syndicate participation.

Tax

Accruals for income tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Canaccord operates within different tax jurisdictions and is subject to their individual assessments. Tax filings can involve complex issues, which may require an extended period of time to resolve in the event of a dispute or re-assessment by tax authorities. Canaccord believes that adequate provisions for income taxes have been made for all years.

Goodwill and other intangible assets

As a result of the acquisitions of Adams Harkness Financial Group, Inc. and Enermarket Solutions Ltd., Canaccord acquired goodwill and other intangible assets. Goodwill is the cost of the acquired companies in excess of the fair value of their net assets, including other intangible assets, at the acquisition date. The identification and valuation of other intangible assets required management to use estimates and make assumptions. Goodwill is assessed for impairment at least annually or whenever a potential impairment may arise as a result of an event or change in circumstances to ensure that the fair value of the reporting unit to which goodwill has been allocated is greater than or at least equal to its carrying value. Fair value will be determined using valuation models that take into account such factors as projected earnings, earnings multiples, discount rates, other available external information and market comparables. The determination of fair value requires management to apply judgment in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect the determination of fair value and any resulting impairment charges. Other intangible assets are amortized over their estimated useful lives and tested for impairment periodically or whenever a potential impairment may arise as a result of an event or change in circumstances. Management must exercise judgment and make use of estimates and assumptions in determining the estimated useful lives of other intangible assets and in periodic determinations of value.

Stock-based compensation plans

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company uses the fair value method to account for such awards. Under this method, the Company measures the fair value of stock-based awards as of the grant date and recognizes the cost as an expense over the applicable vesting period with a corresponding increase in contributed surplus. In the case where vesting is also dependent on performance criteria, the cost is recognized over the vesting period in accordance with the rate at which such performance criteria are achieved (net of estimated forfeitures). Otherwise, the cost is recognized on a graded basis. When stock-based compensation awards vest, contributed surplus is reduced by the applicable amount and share capital is increased by the same amount.

Recent accounting pronouncements

Goodwill and intangible assets

The CICA has issued a new accounting standard, CICA Handbook Section 3064, *"Goodwill and Intangible Assets"*, which prescribes when expenditures qualify for recognition as intangible assets and provides increased guidance on the recognition and measurement of internally generated goodwill and intangible assets. The Company will adopt Section 3064 effective April 1, 2009. The Company is currently evaluating the impact of adopting this section.

International Financial Reporting Standards

The Canadian Accounting Standards Board has now confirmed that the use of International Financial Reporting Standards ("IFRS") will be required commencing in 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace Canadian GAAP currently followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended March 31, 2012 and will be required to provide information that conforms to IFRS for the comparative periods presented. The Company is currently evaluating the impact of the transition to IFRS including its effect on accounting policies, disclosures, financial systems, and internal controls.

Changes in accounting policies

On April 1, 2008, the Company adopted the provisions of CICA Handbook Section 3862, *"Financial Instruments – Disclosures"*, CICA Handbook Section 3863, *"Financial Instruments – Presentations"*, CICA Handbook Section 1535, *"Capital Disclosures"*, and CICA Handbook Section 1400, *"General Standards on Financial Statement Presentation"*.

Capital Disclosures

This new standard requires the Company to disclose qualitative and quantitative information about the Company's capital and how it is managed. Additional note disclosure has been included in Note 14 of the September 30, 2008 unaudited interim consolidated financial statements.

Financial Instruments – Disclosures and Presentations

These two new standards require the Company to provide additional disclosure regarding the nature and extent of risk associated with financial instruments and how these risks are managed. Additional information has been provided in Note 4 of the September 30, 2008 interim consolidated financial statements, which includes a quantitative analysis on the risk of holding financial instruments including credit risk, liquidity risk and market risk.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, *"General Standards on Financial Statement Presentation"*, prescribes additional requirements to assess and disclose a company's ability to continue as a going concern. This new standard was adopted by the Company beginning April 1, 2008, and there was no impact on the September 30, 2008 interim consolidated financial statements.

Asset-backed commercial paper

At September 30, 2008 the Company held ABCP with a par value of $42.7 million and an estimated fair value of $29.9 million. The ABCP did not settle as it matured as a result of liquidity issues in the ABCP market. There has been no active trading of the ABCP since mid-August 2007.

On March 17, 2008, the Pan-Canadian Investors Committee for ABCP filed proceedings for a plan of compromise and arrangement (the "Plan") under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") with the Ontario Superior Court (the "Court"). At the meeting of ABCP noteholders on April 25, 2008, noteholders approved the Plan by the required majorities. On June 5, 2008, the Court issued a sanction order and reasons for the decision approving the Plan as amended. On August 18, 2008, that decision was upheld by the Ontario Court of Appeal and, on September 19, 2008, the Supreme Court of Canada denied leave to appeal. It is expected the Plan will be implemented in a timely manner.

The Plan as amended provides for a declaratory release that will be effective on implementation of the Plan. This will result in the release of all existing and future ABCP-related claims against the Company except claims of express fraudulent misrepresentation made in accordance with the procedures set out in the Plan. This claim can be made by participants in the Canaccord Relief Program who do not receive the payments contemplated by the Canaccord Relief Program before the end of the 20th business day after the completion of the distribution of the plan notes on the implementation of the Plan.

The Canaccord Relief Program is conditional on the successful implementation of the Plan and certain other conditions. However, there can be no assurance that the Plan will be implemented or, if it is implemented, that the declaratory release contained therein will not be amended in a manner that does not result in the release of existing and potential claims against the Company. If the Plan is not implemented, or if the declaratory release is amended in such a manner that the Plan does not result in the release of existing and potential claims, the Company may be found liable in connection with the pending related lawsuits and further legal actions may be commenced against the Company, which could materially adversely affect the Company's business, results of operations and financial condition. If the Plan is implemented, there is no assurance that all of the other conditions for the purchase by the Company of the restructured notes under the Canaccord Relief Program will be met. If the Canaccord Relief Program is not completed as a result of one or more of these other conditions not being met, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even if the Plan is implemented in its current form and the declaratory release is not amended, there is no assurance that the validity or effectiveness of the declaratory release will not be challenged either in the context of the CCAA proceedings or in actions commenced against the Company and others. Any determination that the declaratory release is invalid or ineffective could materially adversely affect the Company's business, results of operations and financial condition.

In addition, if credit derivative or other transactions underlying the asset-backed commercial paper held by the Company or by clients who are eligible for the Canaccord Relief Program are terminated before the implementation of the Plan or are subject to collateral calls, the value of the restructured notes acquired by the Company in respect of its holdings or under the Canaccord Relief Program on the implementation of the Plan and completion of the Canaccord Relief Program could be materially adversely affected.

The Company estimates the fair value of its ABCP by discounting expected future cash flows on a probability weighted basis considering the best available data. The assumptions used in determining the estimated fair value reflect the details included in the Information Statement issued by the Committee. There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company recorded a fair value adjustment of $12.8 million during the fiscal year ended March 31, 2008. The valuation model was updated at September 30, 2008 and results indicated no further fair value adjustment was required for the six months ended September 30, 2008.

Disclosure controls and procedures and internal control over financial reporting

Disclosure controls and procedures

Canaccord's management, including the President & CEO and the Executive Vice President & CFO, has designed disclosure controls and procedures to provide reasonable assurance that all relevant information is identified to the Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

Dividend policy

Although dividends are expected to be declared and paid quarterly, the Board of Directors in its sole discretion will determine the amount and timing of any dividends. All dividend payments will depend on general business conditions, Canaccord's financial condition, results of operations, capital requirements and such other factors as the Board determines to be relevant.

Dividend declaration

On November 5, 2008, the Board of Directors approved the temporary suspension of Canaccord's quarterly dividend for this quarter. This measure was taken to enable Canaccord to preserve its working capital and book value, as well as to position the Company to take advantage of growth opportunities that may present themselves. The Company evaluates the dividend policy on a quarterly basis in the context of the market environment and our business activity.

Historical quarterly information

Canaccord's revenue from an underwriting transaction is recorded only when the transaction has closed. Consequently, the timing of revenue recognition can materially affect Canaccord's quarterly results. The expense structure of Canaccord's operations is geared towards providing service and coverage in the current market environment. Profitability of the Company is dependent on the general capital markets activity, which dropped significantly during the current quarter resulting in a net loss for the quarter.

The following table provides selected quarterly financial information for the nine most recently completed financial quarters ended September 30, 2008. This information is unaudited but reflects all adjustments of a recurring nature which are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(C$ thousands, except per share amounts)	Fiscal 2009		Fiscal 2008				Fiscal 2007		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue									
Canaccord Adams	**$ 58,336**	$ 104,793	$ 77,965	$ 109,583	$ 89,071	$ 155,023	$ 130,151	$ 101,427	$ 93,033
Private Client Services	**43,844**	57,853	54,463	61,166	57,415	76,083	75,876	68,831	55,626
Corporate and Other	**8,649**	10,062	11,018	12,605	12,383	14,764	10,416	8,055	7,372
Total revenue	**$ 110,829**	$ 172,708	$ 143,446	$ 183,354	$ 158,869	$ 245,870	$ 216,443	$ 178,313	$ 156,031
Net income (loss)	**(5,398)**	16,459	(35,154)	15,048	12,411	39,029	26,016	23,692	17,806
EPS – basic	**$ (0.11)**	$ 0.35	$ (0.80)	$ 0.34	$ 0.28	$ 0.86	$ 0.57	$ 0.51	$ 0.39
EPS – diluted	**$ (0.11)**	$ 0.31	$ (0.80)	$ 0.31	$ 0.26	$ 0.80	$ 0.54	$ 0.49	$ 0.37

Risks

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. An investment in the common shares of Canaccord involves a number of risks, including market, liquidity, credit, operational, legal and regulatory risks, which could be substantial and are inherent in Canaccord's business. Current market conditions may increase many of these risks, including credit risk. Canaccord is also directly exposed to market price risks, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to specific interest rate risk as a result of its principal trading in fixed income securities. Private Client Services' revenue is dependent on trading volumes and, as such, is dependent on the level of market activity and investor confidence. Canaccord Adams' revenue is dependent on financing activity by corporate issuers and the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations and changes in business conditions and the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position. Furthermore, Canaccord may not achieve its growth plans associated with the acquisition and integration of Adams Harkness Financial Group, Inc. The Company has a capital management framework to maintain the level of capital that will meet the firm's regulated subsidiaries' target ratios as set out by the respective regulators, fund current and future operations, ensure that the firm is able to meet its financial obligations as they come due, and support the creation of shareholder value. The regulatory bodies that certain of the Company's subsidiaries are subject to are listed in Note 14 of the September 30, 2008 interim consolidated financial statements.

Additional information

A comprehensive discussion of our business, strategies, objectives and risks is available in our Annual Information Form and Management's Discussion and Analysis, including our Audited Annual Consolidated Financial Statements in Canaccord's 2008 Annual Report, which are available on our Web site at canaccord.com/investor and on SEDAR at sedar.com.

interim consolidated balance sheets

(Unaudited)

As at (in thousands of dollars)	***September 30, 2008***	*March 31, 2008*	*September 30, 2007*
ASSETS			
Current			
Cash and cash equivalents	**$ 521,322**	$ 435,649	$ 379,680
Securities owned [note 3]	**56,055**	92,796	227,368
Accounts receivable [notes 5 and 12]	**1,227,426**	1,422,917	1,829,712
Income taxes recoverable	**19,772**	11,083	661
Future income taxes	**11,566**	28,207	9,940
Total current assets	**1,836,141**	1,990,652	2,447,361
Investment [note 6]	**5,000**	5,000	5,000
Investment in asset-backed commercial paper [note 7]	**29,860**	29,860	–
Equipment and leasehold improvements	**39,254**	40,686	40,137
Goodwill and other intangible assets [note 8]	**31,815**	32,520	33,227
	$ 1,942,070	$ 2,098,718	$ 2,525,725
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	**$ 6,854**	$ 15,038	$ 48,130
Securities sold short [note 3]	**15,194**	13,757	48,784
Accounts payable and accrued liabilities [notes 5 and 12]	**1,480,714**	1,687,479	2,021,498
Subordinated debt [note 9]	**25,000**	25,000	25,000
Total current liabilities	**1,527,762**	1,741,274	2,143,412
Commitments and contingencies [note 15]			
Shareholders' equity			
Share capital [note 10]	**211,188**	145,166	139,498
Retained earnings	**220,201**	222,597	254,379
Accumulated other comprehensive losses	**(17,081)**	(10,319)	(11,564)
Total shareholders' equity	**414,308**	357,444	382,313
	$ 1,942,070	$ 2,098,718	$ 2,525,725

See accompanying notes

interim consolidated statements of operations

(Unaudited)

(in thousands of dollars, except per share amounts)	*For the three months ended* **September 30, 2008**	*For the three months ended* September 30, 2007	*For the six months ended* **September 30, 2008**	*For the six months ended* September 30, 2007
REVENUE				
Commission	**$ 60,630**	$ 65,728	**$ 132,626**	$ 151,503
Investment banking	**34,024**	73,731	**110,171**	202,356
Principal trading	**87**	(3,925)	**5,998**	2,888
Interest	**11,734**	16,273	**24,063**	32,583
Other	**4,354**	7,062	**10,679**	15,409
	110,829	158,869	**283,537**	404,739
EXPENSES				
Incentive compensation	**50,977**	71,416	**133,704**	192,822
Salaries and benefits	**14,195**	12,649	**29,638**	26,918
Trading costs	**6,717**	7,249	**13,038**	14,207
Premises and equipment	**5,957**	5,735	**11,742**	10,994
Communication and technology	**6,539**	5,813	**12,702**	11,552
Interest	**3,354**	6,413	**7,313**	12,581
General and administrative	**19,611**	15,755	**38,888**	34,026
Amortization	**2,072**	2,146	**4,114**	4,123
Development costs	**6,383**	8,166	**13,845**	15,339
Asset-backed commercial paper fair value adjustment	**–**	4,399	**–**	4,399
	115,805	139,741	**264,984**	326,961
Income (loss) before income taxes	**(4,976)**	19,128	**18,553**	77,778
Income tax expense (recovery)				
Current	**1,409**	10,305	**(10,141)**	27,380
Future	**(987)**	(3,588)	**17,633**	(1,042)
	422	6,717	**7,492**	26,338
Net income (loss) for the period	**$ (5,398)**	$ 12,411	**$ 11,061**	$ 51,440
Basic earnings (loss) per share [note 10[iv]]	**$ (0.11)**	$ 0.28	**$ 0.23**	$ 1.14
Diluted earnings (loss) per share [note 10[iv]]	**$ (0.11)**	$ 0.26	**$ 0.21**	$ 1.07

See accompanying notes

interim consolidated statements of changes in shareholders' equity

(Unaudited)

As at and for the six months ended September 30, 2008 and 2007 and for the year ended March 31, 2008 (in thousands of dollars)	**September 30, 2008**	March 31, 2008	September 30, 2007
Common shares, opening	**$ 111,142**	$ 147,900	$ 147,900
Shares issued	**68,829**	495	447
Shares cancelled	**(442)**	(127)	–
Acquisition of common shares for long term incentive plan [note 11]	**(13,839)**	(27,247)	(18,295)
Release of vested common shares from employee benefit trust [note 11]	**4,778**	–	–
Unvested share purchase loans	**(403)**	(9,879)	(9,106)
Common shares, closing	**170,065**	111,142	120,946
Contributed surplus, opening	**34,024**	8,396	8,396
Excess on redemption of common shares	**(340)**	(369)	–
Shortfall on distribution of acquired common shares	**–**	(29)	–
Stock-based compensation [note 11]	**6,261**	20,776	8,666
Unvested share purchase loans	**1,178**	5,250	1,490
Contributed surplus, closing	**41,123**	34,024	18,552
Share capital	**211,188**	145,166	139,498
Retained earnings, opening	**222,597**	213,659	213,659
Net income for the period	**11,061**	31,334	51,440
Cash dividends	**(13,457)**	(22,396)	(10,720)
Retained earnings, closing	**220,201**	222,597	254,379
Accumulated other comprehensive income (losses), opening	**(10,319)**	2,236	2,236
Other comprehensive losses	**(6,762)**	(12,555)	(13,800)
Accumulated other comprehensive losses, closing	**(17,081)**	(10,319)	(11,564)
Shareholders' equity	**$ 414,308**	$ 357,444	$ 382,313

interim consolidated statements of comprehensive income (loss)

(Unaudited)

	For the three months ended		*For the six months ended*	
(in thousands of dollars)	**September 30, 2008**	September 30, 2007	**September 30, 2008**	September 30, 2007
Net income (loss) for the period	**$ (5,398)**	$ 12,411	**$ 11,061**	$ 51,440
Other comprehensive loss, net of taxes				
Net change in unrealized losses on translation of self-sustaining foreign operations	**(6,332)**	(6,834)	**(6,762)**	(13,800)
Comprehensive income (loss) for the period	**$ (11,730)**	$ 5,577	**$ 4,299**	$ 37,640

See accompanying notes

interim consolidated statements of cash flows

(Unaudited)

(in thousands of dollars)	*For the three months ended* **September 30, 2008**	*For the three months ended* September 30, 2007	*For the six months ended* **September 30, 2008**	*For the six months ended* September 30, 2007
OPERATING ACTIVITIES				
Net income (loss) for the period	**$ (5,398)**	$ 12,411	**$ 11,061**	$ 51,440
Items not affecting cash				
Amortization	**2,072**	2,146	**4,114**	4,123
Stock-based compensation expense	**4,272**	1,694	**10,580**	8,043
Future income tax (recovery) expense	**(987)**	(3,588)	**17,633**	(1,042)
Changes in non-cash working capital				
Decrease (increase) in securities owned	**60,440**	(2,200)	**36,225**	120,074
Decrease (increase) in accounts receivable	**283,839**	255,948	**181,393**	(162,910)
Decrease (increase) in income taxes receivable	**479**	–	**(8,319)**	–
Increase (decrease) in securities sold short	**(17,027)**	(36,435)	**1,424**	7,614
Decrease in accounts payable and accrued liabilities	**(337,801)**	(195,629)	**(193,981)**	(127,060)
Decrease in income taxes payable	**–**	(1,754)	**–**	(12,388)
Cash provided by (used in) operating activities	**(10,111)**	32,593	**60,130**	(112,106)
FINANCING ACTIVITIES				
Issuance of shares for cash net of issuance costs	**–**	21	**66,462**	447
Purchase and cancellation of shares	**(391)**	–	**(782)**	–
Decrease (increase) in unvested common share purchase loans	**208**	(2,367)	**775**	(7,616)
Acquisition of common shares for long term incentive plan	**(13,049)**	(9,751)	**(13,839)**	(18,295)
Dividends paid	**(13,457)**	(5,934)	**(13,457)**	(10,720)
Cash used in financing activities	**(26,689)**	(18,031)	**39,159**	(36,184)
INVESTING ACTIVITIES				
Purchase of equipment and leasehold improvements	**(2,087)**	(3,203)	**(2,757)**	(7,390)
Acquisition of investment	**–**	–	**–**	(5,000)
Cash used in investing activities	**(2,087)**	(3,203)	**(2,757)**	(12,390)
Effect of foreign exchange on cash balances	**(1,662)**	(7,128)	**(2,675)**	(14,410)
Increase (decrease) in cash position	**(40,549)**	4,231	**93,857**	(175,090)
Cash position, beginning of period	**555,017**	327,319	**420,611**	506,640
Cash position, end of period	**$ 514,468**	$ 331,550	**$ 514,468**	$ 331,550
Cash position is comprised of:				
Cash and cash equivalents	**521,322**	379,680	**521,322**	379,680
Call loans	**(6,854)**	(48,130)	**(6,854)**	(48,130)
	$ 514,468	$ 331,550	**$ 514,468**	$ 331,550
Supplemental cash flow information				
Interest paid	**$ 3,344**	$ 6,391	**$ 7,267**	$ 12,551
Income taxes paid	**2,283**	12,602	**2,836**	40,876

See accompanying notes

notes to interim consolidated financial statements

(Unaudited)

For the three and six months ended September 30, 2008 (in thousands of dollars, except per share amounts)

Through its principal subsidiaries, Canaccord Capital Inc. (the "Company") is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom ("UK") and the United States of America ("US"). The Company has operations in each of the two principal segments of the securities industry: capital markets and private client services. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company's private, institutional and corporate clients.

The Company's business is cyclical and experiences considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond the Company's control. The Company's business is affected by the overall condition of the North American and European capital markets, including the seasonal variance in these markets.

1. Significant accounting policies

Basis of presentation and principles of consolidation

These interim unaudited consolidated financial 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. These interim unaudited consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 1 to the Company's audited consolidated financial statements as at and for the year ended March 31, 2008 ("Audited Annual Consolidated Financial Statements"). Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These interim unaudited consolidated financial statements and notes thereon should be read in conjunction with the Audited Annual Consolidated Financial Statements.

The preparation of these interim unaudited consolidated financial statements and the accompanying notes requires management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these interim unaudited consolidated financial statements reflect all adjustments (which include only normal, recurring 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 results that may be expected for the full year.

Recent accounting pronouncements

Goodwill and Intangible Assets

The CICA issued a new accounting standard, CICA Handbook Section 3064, *"Goodwill and Intangible Assets"*, which prescribes when expenditures qualify for recognition as intangible assets and provides increased guidance on the recognition and measurement of internally generated goodwill and intangible assets. The Company will adopt Section 3064 effective April 1, 2009. The Company is currently assessing the impact of the new standard on the consolidated financial statements.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has now confirmed that the use of IFRS will be required commencing in 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace Canadian GAAP currently followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended March 31, 2012 and will be required to provide information that conforms with IFRS for the comparative periods presented. The Company is currently evaluating the impact of the transition to IFRS including its effect on accounting policies, disclosures, financial systems, and internal controls.

2. Change in accounting policies

On April 1, 2008 the Company adopted the provisions of CICA Handbook Section 1535, *"Capital Disclosures"*, CICA Handbook Section 3862, *"Financial Instruments – Disclosures"*, CICA Handbook Section 3863, *"Financial Instruments – Presentation"*, and CICA Handbook Section 1400, *"General Standards on Financial Statement Presentation"*.

Capital Disclosures

The Company adopted the provisions of CICA Handbook Section 1535, *"Capital Disclosures"*, which establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed. This information is included in Note 14.

Financial Instruments – Disclosures and Presentation
The Company adopted two new accounting standards related to the disclosure and presentation of financial instruments: CICA Handbook Section 3862, *"Financial Instruments – Disclosures"*, and CICA Handbook Section 3863, *"Financial Instruments – Presentation"*. These new standards increase the emphasis on disclosures about the nature and extent of risks associated with financial instruments and how these risks are managed. Refer to Note 4 for further information.

General Standards on Financial Statement Presentation
The Company adopted CICA Handbook Section 1400, *"General Standards on Financial Statement Presentation"*, which prescribes additional requirements to assess and disclose a company's ability to continue as a going concern. There was no impact on the interim unaudited consolidated financial statements as a result of adoption.

3. *Securities owned and securities sold short*

	September 30, 2008		March 31, 2008		September 30, 2007	
	Securities owned	Securities sold short	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	**$ 21,695**	**$ 5,986**	$ 34,433	$ 5,106	$ 84,679	$ 20,909
Equities and convertible debentures	**34,360**	**9,208**	58,363	8,651	142,689	27,875
	$ 56,055	**$ 15,194**	$ 92,796	$ 13,757	$ 227,368	$ 48,784

As at September 30, 2008, corporate and government debt maturities range from 2008 to 2031 [March 31, 2008 – 2008 to 2053 and September 30, 2007 – 2007 to 2054] and bear interest ranging from 2.75% to 11.60% [March 31, 2008 – 2.85% to 11.60% and September 30, 2007 – 3.13% to 11.50%].

4. *Financial instruments*
The Company classifies financial instruments as one of the following categories according to CICA Handbook Section 3855, *"Financial Instruments – Recognition and Measurement"*: held for trading, held to maturity, loans and receivables, available for sale assets and other financial liabilities.

The financial assets and liabilities categorized as held for trading are measured at fair value, with unrealized gains and losses recognized in net income. Section 3855 permits an entity to designate any financial instrument as held for trading on initial recognition or adoption of this standard even if that instrument would not otherwise meet the definition of held for trading as specified in Section 3855 provided that the fair value of the financial instrument can be reliably determined. The Company's financial instruments classified as held for trading include cash, commercial paper and bankers' acceptances, marketable securities owned and sold short, forward contracts and broker warrants.

Available for sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income. The Company's investment [Note 6] has been classified as available for sale. The investment has been carried at cost as there is no available quoted market price in an active market.

The financial assets and liabilities classified as loans and receivables, held to maturity and other financial liabilities are measured at amortized cost. The Company classifies accounts receivable as loans and receivable, and accounts payable and accrued liabilities and subordinated debt as other financial liabilities. The carrying values of the loans and receivables and other financial liabilities approximate their fair values.

The Company's financial instruments are recognized on a trade date basis. Transaction costs relating to the Company's financial instruments are expensed as incurred.

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk arises from cash and cash equivalents, net receivables from clients and brokers and investment dealers and other accounts receivables. The maximum exposure of the Company to credit risk before taking into account any collateral held or other credit enhancements is the carrying amount of the financial instruments as disclosed in the interim unaudited consolidated financial statements as at September 30, 2008.

The primary source of credit risk to the Company is in connection with trading activity by private clients and private client margin accounts. To minimize its exposure, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. Margin transactions are collateralized by securities in the clients' accounts in accordance with limits established by the applicable regulatory authorities and are subject to the Company's credit review and daily monitoring procedures. Management monitors the collectibility of receivables and estimates an allowance for doubtful accounts. It is the Company's policy to provide an allowance against all unsecured balances. As at September 30, 2008, the allowance for doubtful accounts was $6.9 million (March 31, 2008 – $5.8 million; September 30, 2007 – $5.4 million).

The Company is also exposed to the risk that counterparties to transactions do not fulfill their obligations. Counterparties primarily include investment dealers, clearing agencies, banks and other financial institutions. The Company manages this risk by imposing and monitoring individual and aggregate position limits for each counterparty, conducting regular credit reviews to assess creditworthiness, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions and conducting business through clearing organizations with performance guarantees.

As at September 30, 2008 and 2007, the Company's most significant counterparty concentrations are with financial institutions and institutional clients. Management believes that they are in the normal course of business and does not anticipate loss for non-performance.

The Company holds debt instruments that are subject to credit risk if the counterparties do not fulfill their obligations. The Company manages the risk with regards to debt instruments by monitoring counterparties' credit ratings.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The Company's business requires capital for operating and regulatory purposes. The current assets reflected on the balance sheet are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their market value. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectibility. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts. Additional information regarding the Company's capital structure and capital management objectives is discussed in Note 14.

The following table presents the contractual terms to maturity of the financial liabilities owed by the Company as at September 30, 2008:

Financial liability	*Carrying amount*	*Contractual terms to maturity*
Bank indebtedness	$ 6,854	Due on demand
Accounts payable and accrued liabilities	1,480,714	Due within one year
Subordinated debt	25,000	Due on demand *

* *subject to Investment Industry Regulatory Organization of Canada's approval.*

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices. The Company separates market risk into three categories: fair value risk, interest rate risk, and foreign exchange risk.

Fair value risk

The Company is exposed to fair value risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued based on quoted market prices and as such changes in fair value affect earnings as they occur. Fair value risk also arises from the possibility that changes in market prices will affect the value of the securities the Company holds as collateral for private client margin accounts. The Company mitigates its fair value risk exposure through controls to limit concentration levels and capital usage within its inventory trading accounts, as well as monitoring procedures of the margin accounts.

During the year ended March 31, 2008, the Company recorded a fair value adjustment of its investment in asset-backed commercial paper ("ABCP") as a result of the uncertainties and lack of liquidity in the ABCP market. As there is no available market price, the Company estimates the fair value of its ABCP by discounting expected future cash flows on a probability weighted basis

considering the best available data. The fair value of ABCP would decrease by a further $1,862 if the discount rate used were to increase by 100bps. Detailed information is disclosed in Note 7 of the Audited Annual Consolidated Financial Statements.

The following table summarizes the effect on net income as a result of a fair value change in financial instruments. This analysis assumes all other variables remain constant.

Financial instrument	Carrying value	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Securities owned, net of securities sold short	$ 40,861	$ 988	$ (988)
Investment in ABCP	29,860	1,935	(1,935)
Investment [1]	5,000	n/a	(242)

(1) Investment is classified as available for sale and carried at cost as the investment does not have a quoted market price, and, therefore, there is no impact on other comprehensive income ("OCI") resulting from any temporary fluctuation in the market price of the investment. An other than temporary decline in the value of the investment is recognized in net income, and the table indicates the impact on net income as a result of a 10% impairment of the investment.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Company. The Company incurs interest rate risk on its own cash and cash equivalent balances, net clients' payable balances, clients' cash balances, as well as its subordinated debt. The Company minimizes and monitors its exposure to interest rate risk through quantitative analysis of its net holdings positions of fixed income securities, clients' cash balances, securities lending and borrowing activities, and short-term borrowings. The Company does not hedge its exposure to interest rate risk as it is minimal.

All cash and cash equivalents mature within three months. Net clients receivable (payable) balances charge (incur) interest based on floating interest rates. Subordinated debt bears interest at a rate of prime plus 2%, payable monthly.

The following table provides the effect on net income if interest rates were to increase or decrease by 100 basis points for the three months ended September 30, 2008 applied to balances as of this date. Fluctuations in interest rates do not have an effect on OCI. This sensitivity analysis assumes all other variables are constant.

	Carrying value	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decrease in interest rates
Cash and cash equivalents, net of bank indebtedness	$ 514,468	$ 625	$ (625)
Clients' payable, net	470,503	(572)	572
RRSP cash balances held in trust	338,952	412	(412)
Brokers and investment dealers' payable, net	10,938	(151)	151
Subordinated debt	25,000	(30)	30

Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in losses. The Company's primary foreign exchange risk results from its investment in its US and UK subsidiaries. These subsidiaries are considered self-sustaining and, therefore, are translated using the current rate method. Any fluctuations in the Canadian dollar against the US dollar and the pound sterling will result in a change in the unrealized gains (losses) on translation of self-sustaining foreign operations, recognized in accumulated other comprehensive income (losses).

The Canadian subsidiaries also hold financial instruments in foreign currencies, and, therefore, any fluctuations in foreign exchange rates will impact the realized foreign exchange gains or losses.

The following table summarizes the effects on net income and OCI as a result of a 5% change in the value of the foreign currencies where there is significant exposure. The analysis assumes all other variables remain constant.

Currency	Effect of a 5% increase in fair value on net income	Effect of a 5% decrease in fair value on net income	Effect of a 5% increase in fair value on OCI	Effect of a 5% decrease in fair value on OCI
US dollar	$ (938)	$ 938	$ 387	$ (387)
Pound sterling	(37)	37	7,821	(7,821)

The Company uses derivative financial instruments primarily to manage foreign exchange risk on pending security settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity. Realized and unrealized gains and losses related to these contracts are recognized in net income during the year.

Forward contracts outstanding at September 30, 2008:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	**$ 9.50**	**$ 1.06**	**October 1, 2008**	**$ 0.1**
To buy US dollars	**5.50**	**1.06**	**October 1, 2008**	**(0.1)**

Forward contracts outstanding at March 31, 2008:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$ 6.00	$ 1.03	April 1, 2008	$ 0.1
To buy US dollars	3.50	1.03	April 2, 2008	(0.1)

Forward contracts outstanding at September 30, 2007:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$ 26.50	$ 0.995	October 1, 2007	$ 0.1
To buy US dollars	9.50	0.995	October 1, 2007	(0.1)

Securities lending and borrowing

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received on the cash delivered and interest being paid on the cash received. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds, and are reflected within accounts receivable and accounts payable. The Company manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions. Interest earned on cash collateral is based on a floating rate. At September 30, 2008 the floating rates for equities and bonds were 1.025% and 2.623%, respectively [March 31, 2008 – 1.32% and 2.95%, respectively, and September 30, 2007 – 2.96% and 4.05%, respectively].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
September 30, 2008	**$ 130,006**	**$ 33,970**	**$ 3,657**	**$ 168,778**
March 31, 2008	188,654	84,257	13,541	279,550
September 30, 2007	307,957	80,562	15,414	399,001

Lines of credit

The Company also has credit facilities with banks in Canada, the US and the UK for an aggregate amount of $491.1 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities are collateralized by either unpaid securities and/or securities owned by the Company. At September 30, 2008, the Company had bank indebtedness of $6,854 outstanding.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totalling $2.4 million (US$2.3 million) as rent guarantees for its leased premises in Boston, New York and San Francisco. As of September 30, 2008, there were no outstanding balances under these standby letters of credit.

In connection with the Canaccord Relief Program, the Company entered into two letters of credit in April 2008 to facilitate the funding of the relief program. Subject to certain terms and conditions, the letters of credit will be drawn on upon successful completion of the Canaccord Relief Program.

5. Accounts receivable and accounts payable and accrued liabilities

Accounts receivable

	September 30, 2008	March 31, 2008	September 30, 2007
Brokers and investment dealers	$ 355,345	$ 425,038	$ 631,275
Clients	490,344	555,935	765,999
RRSP cash balances held in trust	338,952	400,603	393,742
Other	42,785	41,341	38,696
	$ 1,227,426	$ 1,422,917	$ 1,829,712

Accounts payable and accrued liabilities

	September 30, 2008	March 31, 2008	September 30, 2007
Brokers and investment dealers	$ 366,283	$ 407,193	$ 520,476
Clients	960,847	1,037,860	1,308,435
Other	153,584	242,426	192,587
	$ 1,480,714	$ 1,687,479	$ 2,021,498

Accounts payable to clients include $339.0 million [March 31, 2008 – $400.6 million and September 30, 2007 – $393.7 million] payable to clients for RRSP cash balances held in trust.

Client security purchases are entered into on either a cash or a margin basis. In the case of a margin account, the Company extends a loan to a client for the purchase of securities, using securities purchased and/or other securities in the client's account as collateral. Amounts loaned to any client are limited by margin regulations of the Investment Industry Regulatory Organization of Canada ("IIROC") and other regulatory authorities and are subject to the Company's credit review and daily monitoring procedures.

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client accounts. Interest on margin loans and amounts due to clients is based on a floating rate [September 30, 2008: 6.75%–7.00% and 0.25%–1.75%, respectively; March 31, 2008: 7.25%–8.00% and 0.25%–2.25%, respectively; and September 30, 2007: 8.25%–9.75% and 1.83%–3.25%, respectively].

6. Investment

	September 30, 2008	March 31, 2008	September 30, 2007
Available for sale	$ 5,000	$ 5,000	$ 5,000

The Company has invested $5 million in a limited partnership as part of its initiative to develop a new Alternative Trading System. The investment is carried at cost as there is no available quoted market price in an active market.

7. Investment in asset-backed commercial paper

	September 30, 2008	March 31, 2008	September 30, 2007
Investment in asset-backed commercial paper	$ 29,860	$ 29,860	$ –

At September 30, 2008 the Company held ABCP with a par value of $42.7 million and an estimated fair value of $29.9 million. The ABCP did not settle as it matured as a result of liquidity issues in the ABCP market. There has been no active trading of the ABCP since mid-August 2007.

On March 17, 2008, the Pan-Canadian Investors Committee for ABCP filed proceedings for a plan of compromise and arrangement (the "Plan") under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") with the Ontario Superior Court (the "Court"). At the meeting of ABCP noteholders on April 25, 2008, noteholders approved the Plan by the required majorities. On June 5, 2008, the Court issued a sanction order and reasons for decision approving the Plan as amended. On August 18, 2008, that decision was upheld by the Ontario Court of Appeal and, on September 19, 2008, the Supreme Court of Canada denied leave to appeal. It is expected the Plan will be implemented in a timely manner.

The Plan as amended provides for a declaratory release that will be effective on implementation of the Plan and that will result in the release of all existing and future ABCP-related claims against the Company except claims of express fraudulent misrepresentation made in accordance with the procedures set out in the Plan by participants in the Canaccord Relief Program who do not receive the payments contemplated by the Canaccord Relief Program before the end of the 20th business day after the completion of the distribution of the plan notes on the implementation of the Plan.

The Canaccord Relief Program is conditional on the successful implementation of the Plan and certain other conditions. However, there can be no assurance that the Plan will be implemented or, if it is implemented, that the declaratory release contained therein will not be amended in a manner that does not result in the release of existing and potential claims against the Company. If the Plan is not implemented, or if the declaratory release is amended in such a manner that the Plan does not result in the release of existing and potential claims, the Company may be found liable in connection with the pending related lawsuits and further legal actions may be commenced against the Company, which could materially adversely affect the Company's business, results of operations and financial condition. If the Plan is implemented, there is no assurance that all of the other conditions for the purchase by the Company of the restructured notes under the Canaccord Relief Program will be met. If the Canaccord Relief Program is not completed as a result of one or more of these other conditions not being met, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even if the Plan is implemented in its current form and the declaratory release is not amended, there is no assurance that the validity or effectiveness of the declaratory release will not be challenged either in the context of the CCAA proceedings or in actions commenced against the Company and others. Any determination that the declaratory release is invalid or ineffective could materially adversely affect the Company's business, results of operations and financial condition.

In addition, if credit derivative or other transactions underlying the asset-backed commercial paper held by the Company or by clients who are eligible for the Canaccord Relief Program are terminated before the implementation of the Plan or are subject to collateral calls, the value of the restructured notes acquired by the Company in respect of its holdings or under the Canaccord Relief Program on the implementation of the Plan and completion of the Canaccord Relief Program could be materially adversely affected.

Based on the information contained in the Information Statement and other public information, the Company estimates that it will receive:

- $32.9 million of senior MAV2 Class A-1 and A-2 Notes and subordinated Class B and Class C Notes
  - $17.6 million of Class A-1 Notes
  - $12.2 million of Class A-2 Notes
  - $2.1 million of Class B Notes
  - $1.0 million of Class C Notes

  Class A-1, Class A-2 and Class B Notes will bear interest at the BA rate less 0.50% and Class C Notes will bear interest at 20%. These notes will mature in approximately 9 years. The senior notes are expected to be rated "AA" by Dominion Bond Rating Services while the subordinated notes (Class B and C) will likely be unrated.
- $8.7 million of MAV3 Traditional Assets ("TA") and Ineligible Asset ("IA") Tracking Notes
  The TA and IA Tracking Notes will bear interest at the rate equal to the net rate of return generated by the related specific tracking assets. The maturities of the notes will range between 13 years and 29 years. These notes will likely be unrated.
- $1.1 million of MAV2 IA Tracking Notes
  The IA Tracking Notes will bear interest at the rate equal to the net rate of return generated by the related specific tracking assets. The maturities of the notes will range between 5 years and 31 years. The IA Tracking Notes will not be rated.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimates the fair value of its ABCP by discounting expected future cash flows on a probability weighted basis considering the best available data. The assumptions used in determining the estimated fair value reflect the details included in the Information Statement issued by the Committee.

The assumptions used in the valuation model include:

Weighted average interest rate	2.61%
Weighted average discount rate	7.33%
Maturity of notes	9 years to 20 years
Credit losses	rated notes 5% to 10%
	unrated notes 20% to 55%

If these assumptions were to change, the fair value of ABCP could change significantly. Based on these assumptions, the Company recorded a fair value adjustment of $12.8 million during the year ended March 31, 2008. The valuation model was updated at September 30, 2008 and results indicated no further fair value adjustment was required for the six months ended September 30, 2008.

8. Goodwill and other intangible assets

	September 30, 2008	March 31, 2008	September 30, 2007
Goodwill	$ 30,070	$ 30,070	$ 30,070
Other intangible assets			
Balance at beginning of period	2,450	3,863	3,863
Amortization	705	1,413	706
Balance at end of period	1,745	2,450	3,157
	$ 31,815	$ 32,520	$ 33,227

Other intangible assets reflect assigned values related to acquired brand names, customer relationships and technology and are amortized on a straight-line basis over their estimated useful life of four years. Goodwill and other intangible assets relate to the Canaccord Adams operating segment.

9. Subordinated debt

	September 30, 2008	March 31, 2008	September 30, 2007
Loan payable, interest payable monthly at prime + 2% per annum, due on demand	$ 25,000	$ 25,000	$ 25,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of the IIROC.

10. Share capital

	September 30, 2008	March 31, 2008	September 30, 2007
Share capital			
Common shares	$ 242,186	$ 173,799	$ 173,878
Unvested share purchase loans	(36,308)	(35,410)	(34,637)
Acquisition of common shares for long term incentive plan [note 11]	(35,813)	(27,247)	(18,295)
Contributed surplus	41,123	34,024	18,552
	$ 211,188	$ 145,166	$ 139,498

Share capital of the Company is comprised of the following:

[i] Authorized
Unlimited common shares without par value
Unlimited preferred shares without par value

[ii] Issued and fully paid
Common shares

	Number of shares	Amount
Balance, September 30, 2007	47,866,229	$ 173,878
Shares issued in connection with stock compensation plans [note 11]	3,949	48
Shares cancelled	(35,127)	(127)
Balance, March 31, 2008	47,835,051	173,799
Shares issued for cash	6,733,250	67,218
Shares issued in connection with stock compensation plan [note 11]	84,252	1,611
Shares cancelled	(100,000)	(442)
Balance, September 30, 2008	**54,552,553**	**$ 242,186**

On May 2, 2008, the Company closed a fully underwritten financing of 5,855,000 common shares at a price of $10.25 per share for total gross proceeds of $60.0 million. On May 22, 2008, the underwriters exercised an over-allotment option in connection with the financing to purchase an additional 878,250 common shares at a price of $10.25 per share for gross proceeds of $9.0 million. Total share issuance costs net of taxes were $1.6 million.

The Company renewed its normal course issuer bid ("NCIB") on December 24, 2007 and is currently entitled to acquire up to 2,391,753 of its shares from December 31, 2007 to December 30, 2008, which represents 5% of its shares outstanding as of December 21, 2007. The employee benefit trust purchased 2,075,432 shares for the long term incentive plan [Note 11] from December 21, 2007 to September 30, 2008, which reduces the number of shares allowable under the NCIB. In addition, there were 100,000 shares purchased and cancelled under the NCIB during this period. The number of shares available for purchase under the NCIB as of September 30, 2008 was 216,321.

[iii] Common share purchase loans
The Company provides forgivable common share purchase loans to employees in order to purchase common shares. The unvested balance of forgivable common share purchase loans is presented as a deduction from share capital. The forgivable common share purchase loans are amortized over the vesting period. Contributed surplus includes the amortization of unvested forgivable common share purchase loans.

[iv] Earnings (loss) per share

	For the three months ended		For the six months ended	
	September 30, 2008	September 30, 2007	**September 30, 2008**	September 30, 2007
Basic earnings (loss) per share				
Net income (loss) for the period	**$ (5,398)**	$ 12,411	**$ 11,061**	$ 51,440
Weighted average number of common shares (number)	**49,020,939**	44,971,889	**48,247,858**	45,195,734
Basic earnings (loss) per share	**$ (0.11)**	$ 0.28	**$ 0.23**	$ 1.14
Diluted earnings (loss) per share				
Net income (loss) for the period	**$ (5,398)**	$ 12,411	**$ 11,061**	$ 51,440
Weighted average number of common shares (number)	**49,020,939**	44,971,889	**48,247,858**	45,195,734
Dilutive effect of unvested shares (number)	**2,949,931**	2,381,104	**2,949,931**	2,381,104
Dilutive effect of directors options (number) [note 11]	**811**	–	**3,171**	–
Dilutive effect of share issuance commitment in connection with retention plan (number) [note 11]	**602,366**	363,378	**602,366**	363,378
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 11]	**2,556,807**	511,906	**2,078,364**	281,470
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 11]	**7,716**	41,309	**74,612**	63,089
Adjusted weighted average number of common shares (number)	**55,138,570**	48,269,586	**53,956,302**	48,284,775
Diluted earnings (loss) per share	**$ (0.11)**	$ 0.26	**$ 0.21**	$ 1.07

11. Stock-based compensation plans

Retention plans
As described in the Audited Annual Consolidated Financial Statements, the Company established two retention plans in connection with the acquisitions of Enermarket Solutions Ltd. ("Enermarket") and Adams Harkness Financial Group, Inc. ("Adams Harkness").

The plan for Enermarket provided for the issuance of up to 25,210 common shares of the Company over two years. The Company issued 14,203 common shares under this plan during the years ended March 31, 2008 and March 31, 2007. The remaining shares have been forfeited.

The plan for Adams Harkness (renamed Canaccord Adams Inc.) provides for the issuance of up to 1,118,952 common shares of the Company after a three-year vesting period. The total number of shares which will vest is also based on revenue earned by Canaccord Adams Inc. during the vesting period. The aggregate number of common shares that vest will be that number which is equal to the revenue earned by Canaccord Adams Inc. during the vesting period divided by US$250.0 million multiplied by the number of common shares subject to the retention plan. As such revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost and the applicable number of retention shares will be included in diluted common shares outstanding [Note 10 [iv]]. The Company has expensed $661 and $1,592 for the three and six months ended September 30, 2008 ($810 and $1,939 for the three and six months ended September 30, 2007). At September 30, 2008, the number of common shares subject to the plan was 772,473.

Under the fair value method the aggregate costs of the grants made under the Adams Harkness retention plan is estimated to be $9.7 million (US$9.1 million).

The following table details the activity under the Company's retention plans:

	For the three months ended		For the six months ended	
	September 30, 2008	September 30, 2007	**September 30, 2008**	September 30, 2007
Number of common shares subject to the Enermarket retention plan:				
Beginning of period	**–**	10,254	**–**	10,254
Grants	**–**	–	**–**	–
Issued	**–**	–	**–**	–
End of period	**–**	10,254	**–**	10,254
Shares vested during the period	**–**	–	**–**	–
Number of common shares subject to the Adams Harkness retention plan:				
Beginning of period	**774,768**	892,354	**804,012**	953,107
Issued	**–**	(1,995)	**–**	(9,268)
Forfeitures	**(2,295)**	(71,470)	**(31,539)**	(124,950)
End of period	**772,473**	818,889	**772,473**	818,889
Shares vested during the period	**–**	–	**–**	–

Stock options

The Company granted stock options to purchase common shares of the Company to independent directors. The stock options vest over a four-year period and expire seven years after the grant date. Exercise price is based on the fair market value of the common shares at grant date. The weighted average exercise price of the stock options is $15.54.

The following is a summary of the Company's stock options as at September 30, 2008 and 2007 and changes during the periods then ended.

	Number of shares	Weighted average exercise price ($)
Balance, September 30, 2007	125,000	23.13
Granted	–	–
Exercised	–	–
Balance, March 31, 2008	125,000	23.13
Granted	150,000	9.21
Exercised	–	–
Balance, September 30, 2008	**275,000**	**15.54**

The fair value of each stock option grant has been estimated on grant date using the Black-Scholes option pricing model with the following assumptions:

	August 2008 grant	June 2008 grant	May 2007 grant
Dividend yield	**5.10%**	5.10%	1.80%
Expected volatility	**30.00%**	30.00%	30.00%
Risk-free interest rate	**2.32%**	2.32%	4.25%
Expected life	**5 years**	5 years	5 years

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Compensation expense of $50 and $101 has been recognized for the three and six months ended September 30, 2008 ($41 and $82 for the three and six months ended September 30, 2007).

Long term incentive plan

Under the long term incentive plan ("LTIP"), eligible participants are awarded restricted share units ("RSUs") which vest over three years. For employees in Canada, an employee benefit trust (the "Trust") has been established, and either (a) the Company will fund the Trust with cash which will be used by a trustee to purchase common shares of the Company on the open market that will be held in trust by the trustee until RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of RSUs. For employees in the United States and the United Kingdom, at the time of each RSU award, the Company will allot common shares and these shares will be issued from treasury at the time they vest for each participant. The shares issued as part of the LTIP will generally be offset by purchases under the Company's NCIB.

The costs of the RSUs are amortized over the vesting period of three years. Compensation expense of $4.0 million and $8.8 million has been recognized for the three and six months ended September 30, 2008 ($4.1 million and $6.0 million for the three and six months ended September 30, 2007).

	For the three months ended		For the six months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Awards outstanding, beginning of period	3,258,398	475,168	2,221,578	–
Granted	857,105	732,160	2,061,975	1,207,328
Vested	(233,945)	–	(401,995)	–
Awards outstanding, end of period	3,881,558	1,207,328	3,881,558	1,207,328

	For the three months ended		For the six months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Common shares held by Trust, beginning of period	1,576,127	401,239	1,621,895	–
Acquired	1,606,903	535,863	1,706,903	937,102
Released on vesting	(171,975)	–	(317,743)	–
Common shares held by Trust, end of period	3,011,055	937,102	3,011,055	937,102

12. Related party transactions

Security trades executed by the Company for employees, officers and directors are transacted in accordance with the terms and conditions applicable to all clients. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Company.

Accounts receivable and accounts payable and accrued liabilities include the following balances with related parties:

	September 30 2008	March 31, 2008	September 30, 2007
Accounts receivable	$ 44,854	$ 48,521	$ 51,570
Accounts payable and accrued liabilities	71,107	64,945	76,812

13. Segmented information

The Company has two operating segments:

Canaccord Adams – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK and the US.

Private Client Services – provides brokerage services and investment advice to retail or private clients in Canada and the US.

The Corporate and Other segment includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Canaccord Adams and Private Client Services.

The Company's industry segments are managed separately because each business offers different services and requires different personnel and marketing strategies. The Company evaluates the performance of each business based on income (loss) before income taxes.

The Company does not allocate total assets or equipment and leasehold improvements to the segments. Amortization is allocated to the segments based on square footage occupied. There are no significant inter-segment revenues.

	For the three months ended September 30							
				2008				2007
	Canaccord Adams	Private Client Services	Corporate and Other	Total	Canaccord Adams	Private Client Services	Corporate and Other	Total
Revenues	$ 58,336	$ 43,844	$ 8,649	$ 110,829	$ 89,071	$ 57,415	$ 12,383	$ 158,869
Expenses	58,542	34,122	14,686	107,350	67,561	42,226	19,642	129,429
Amortization	926	411	735	2,072	985	472	689	2,146
Development costs	3,682	1,378	1,323	6,383	5,582	1,341	1,243	8,166
Income (loss) before income taxes	$ (4,814)	$ 7,933	$ (8,095)	$ (4,976)	$ 14,943	$ 13,376	$ (9,191)	$ 19,128

	For the six months ended September 30							
				2008				2007
	Canaccord Adams	Private Client Services	Corporate and Other	Total	Canaccord Adams	Private Client Services	Corporate and Other	Total
Revenues	$ 163,129	$ 101,697	$ 18,711	$ 283,537	$ 244,094	$ 133,498	$ 27,147	$ 404,739
Expenses	138,527	76,830	31,668	247,025	168,707	97,572	41,220	307,499
Amortization	1,838	820	1,456	4,114	1,896	902	1,325	4,123
Development costs	7,805	2,944	3,096	13,845	9,874	2,713	2,752	15,339
Income (loss) before income taxes	$ 14,959	$ 21,103	$ (17,509)	$ 18,553	$ 63,617	$ 32,311	$ (18,150)	$ 77,778

The Company's business operations are grouped into four geographic segments (revenue is attributed to geographic areas on the basis of the underlying corporate operating results):

	For the three months ended		For the six months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Canada				
Revenue	$ 80,750	$ 117,275	$ 189,628	$ 279,368
Equipment and leasehold improvements	24,799	24,012	24,799	24,012
Goodwill and other intangible assets	3,959	4,208	3,959	4,208
United Kingdom				
Revenue	$ 13,096	$ 20,807	$ 46,815	$ 68,308
Equipment and leasehold improvements	7,411	8,604	7,411	8,604
United States				
Revenue	$ 18,309	$ 20,737	$ 43,950	$ 47,159
Equipment and leasehold improvements	7,044	7,521	7,044	7,521
Goodwill and other intangible assets	27,856	29,019	27,856	29,019
Other Foreign Location				
Revenue	$ (1,326)	$ 50	$ 3,144	$ 9,904

14. Capital management

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by shareholders' equity, which is comprised of share capital, retained earnings and accumulated other comprehensive income or losses, and is further complemented by subordinated debt. The following table summarizes our capital as at September 30, 2008:

Type of capital	Carrying amount	As a percentage of capital
Share capital	$ 211,188	48.1%
Retained earnings	220,201	50.1%
Accumulated other comprehensive losses	(17,081)	(3.9)%
Shareholders' equity	414,308	94.3%
Subordinated debt	25,000	5.7%
	$ 439,308	100.0%

The Company's capital management framework is designed to maintain the level of capital that will:

- Meet the Company's regulated subsidiaries' target ratios as set out by the respective regulators
- Fund current and future operations
- Ensure that the Company is able to meet its financial obligations as they become due
- Support the creation of shareholder value

The following subsidiaries are subject to regulatory capital requirements in the respective jurisdictions by the listed regulators:

- Canaccord Capital Corporation is subject to regulation in Canada primarily by the IIROC
- Canaccord Adams Limited is regulated in the UK by the Financial Services Authority and is a member of the London Stock Exchange
- Canaccord Adams Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority
- Canaccord Capital Corporation (USA), Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority
- Canaccord International Ltd. is regulated in Barbados by the Central Bank of Barbados

Margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements cause regulatory capital requirements to fluctuate on a daily basis. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of cash disbursements. The Company's subsidiaries were in compliance with all of the minimum regulatory capital requirements during the six months ended September 30, 2008.

15. Commitments and contingencies

Commitments

Subsidiaries of the Company are committed to approximate minimum lease payments for premises and equipment over the next five years and thereafter as follows:

2010	$ 22,506
2011	19,842
2012	17,917
2013	16,807
2014	15,561
Thereafter	48,060
	$ 140,693

During the period, there have been no material changes to the Company's contingencies from those described in Note 18 of the March 31, 2008 Audited Annual Consolidated Financial Statements.

16. Subsequent events

a. On October 30, 2008, the Company announced that it has implemented a firm-wide restructuring that has resulted in the layoff of approximately 10% of its staff globally. The Company has currently estimated the Q3 fiscal 2009 pre-tax expense to be $6.8 million. In addition, a 10%–20% salary reduction has been implemented for senior executives. As management had not committed to the restructuring plan at September 30, 2008, none of the related expense had been accrued at period end.

b. As a result of the volatility and rapid deterioration in the global financial markets during October 2008, a number of Private Client Services clients experienced losses that resulted in an unsecured exposure. As per the Company's policy of reserving against unsecured balances, the Company recorded a Q3 fiscal 2009 pre-tax provision of $3.5 million against the unsecured balances. Management will continue to work diligently to collect these balances.

c. As a result of market conditions prevailing subsequent to September 30, 2008, including the steep decline in oil prices, the earnings prospects for Enermarket, whose primary business is to provide advisory services to companies in the oil and gas industry, have been negatively impacted. Management has concluded that the value of goodwill and intangibles related to Enermarket has been impaired and recorded a charge of $4.0 million in October 2008.

d. On November 5, 2008, the Board of Directors approved the temporary suspension of the Company's quarterly dividend for this quarter. This measure was taken to enable the Company to preserve its working capital and book value, as well as to position the Company to take advantage of growth opportunities that may present themselves. The Company evaluates the dividend policy on a quarterly basis in the context of the market environment and our business activity.

shareholder information

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The CCI fiscal 2008 Annual Report is available on our Web site at canaccord.com. For a printed copy please contact the Investor Relations department.

FISCAL 2009 EXPECTED DIVIDEND (1) AND EARNINGS DATES

	Earnings release date	*Dividend record date*	*Dividend payment date*
Q1/09	August 8, 2008	August 29, 2008	September 10, 2008
Q2/09	November 6, 2008	suspended	suspended
Q3/09	February 12, 2009	February 27, 2009	March 10, 2009
Q4/09	May 20, 2009	May 29, 2009	June 10, 2009

(1) Dividends are subject to Board of Directors approval. All dividend payments will depend on general business conditions and the Company's financial conditions, results of operations, capital requirements and such other factors as the Board determines to be relevant.

SHAREHOLDER ADMINISTRATION:
For information about stock transfers, address changes, dividends, lost stock certificates, tax forms and estate transfers, contact:

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