Annual Report
2007

IDEAS THAT COUNT

CANACCORD
CAPITAL

OUR
BUSINESS

As a leading independent investment dealer, Canaccord pursues opportunity and growth both domestically and internationally. Our clients, employees and partners share our commitment to quality and our entrepreneurial approach. We are proud of our ideas, our team and our outstanding success this fiscal year.

ABOUT CANACCORD

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 of America. Canaccord is publicly traded on both the Toronto Stock Exchange and AIM, a market operated by the London Stock Exchange. Canaccord has operations in two of the principal segments of the securities industry: private client services and capital markets. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to Canaccord's private, institutional and corporate clients. Canaccord has approximately 1,590 employees worldwide in 30 offices, including 23 Private Client Services offices located across Canada. Canaccord Adams, the international capital markets division, has operations in Toronto, London, Boston, Vancouver, New York, Calgary, Montreal, San Francisco, Houston and Barbados.

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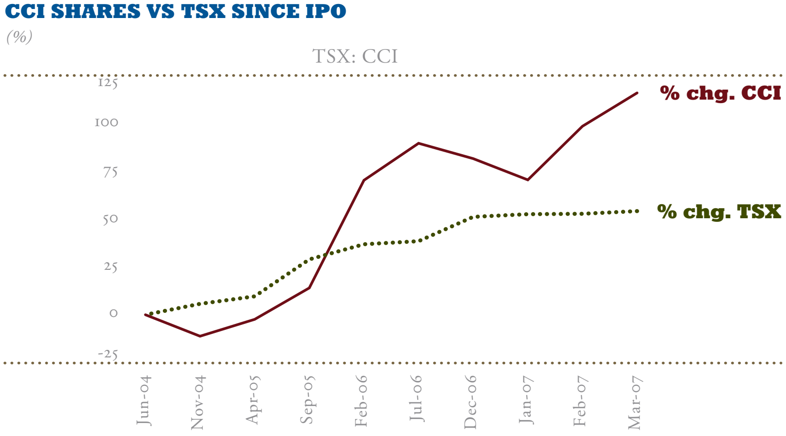
Please note: Unless otherwise indicated, all references to currencies are in Canadian dollars.

CCI SHARES VS TSX SINCE IPO



116% increase in stock value over the last 33 months *(as of March 31, 2007)*

IPO trading price on June 30, 2004: $10.25

Closing price on March 31, 2007: $20.80

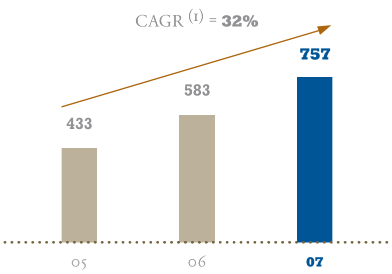
FINANCIAL HIGHLIGHTS

SELECTED FINANCIAL INFORMATION

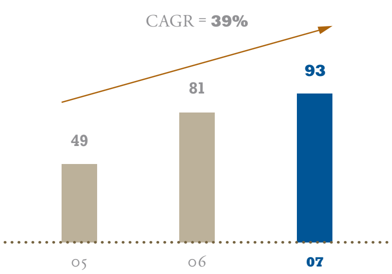
For the year ended March 31 *(C$ thousands, except per share, employee and % amounts)*	2007	2006	2005	2007/2006 Increase (decrease)	
Revenue					
Commission	$ 303,672	$ 239,461	$ 168,978	$ 64,211	26.8%
Investment banking	350,273	266,206	214,450	84,067	31.6%
Principal trading	31,638	27,388	13,584	4,250	15.5%
Interest	57,908	36,914	26,488	20,994	56.9%
Other	13,423	13,446	9,278	(23)	(0.2)%
Total revenue	$ 756,914	$ 583,415	$ 432,778	$ 173,499	29.7%
Expenses					
Incentive compensation	382,897	299,188	220,454	83,709	28.0%
Salaries and benefits	47,608	42,019	45,715	5,589	13.3%
Other overhead expenses	188,212	123,178	93,853	65,034	52.8%
Total expenses	$ 618,717	$ 464,385	$ 360,022	$ 154,332	33.2%
Income before income taxes	138,197	119,030	72,756	19,167	16.1%
Net income	93,456	81,150	48,579	12,306	15.2%
Earnings per share (EPS) – basic	$ 2.03	$ 1.82	$ 1.17	$ 0.21	11.5%
Earnings per share (EPS) – diluted	$ 1.94	$ 1.74	$ 1.11	$ 0.20	11.5%
Return on average common equity (ROE) / return on average capital employed (ROCE)	28.4%	33.6%	23.9%	–	(5.2)p.p.
Dividends					
Cash dividend	$ 0.36	$ 0.28	$ 0.26	$ 0.08	29.2%
Special cash distribution	–	–	0.15	n.m.	n.m.
Book value per diluted common share – period end	7.74	5.99	4.82	1.75	29.2%
Balance sheet data (as at March 31, 2007):					
Total assets	2,609,942	2,177,973	1,638,165	431,969	19.8%
Long term liabilities	–	–	41,618	–	
Total liabilities	2,237,751	1,890,143	1,415,954	347,608	18.4%
Total common equity	372,191	287,830	222,211	84,361	29.3%
Number of employees	1,590	1,488	1,260	102	6.9%

n.m.: not meaningful
p.p.: percentage points

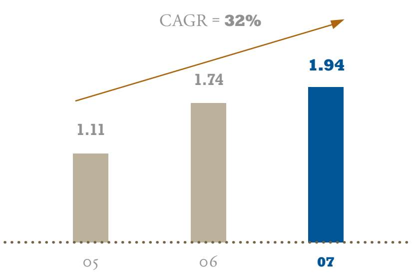
RECORD REVENUE FOR FISCAL 2007
(C$ millions)



RECORD NET INCOME FOR FISCAL 2007
(C$ millions)



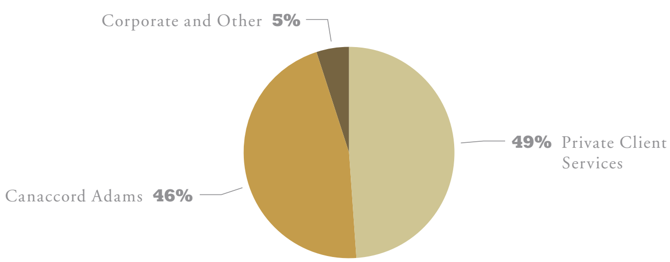
STRONG GROWTH IN DILUTED EPS FOR FISCAL 2007
(C$)



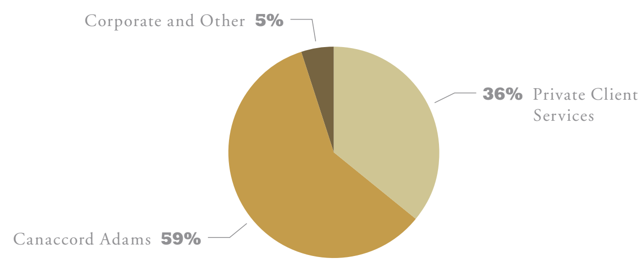
(1) CAGR: Compounded annual growth rate.

CANACCORD CAPITAL INC.
AT A GLANCE

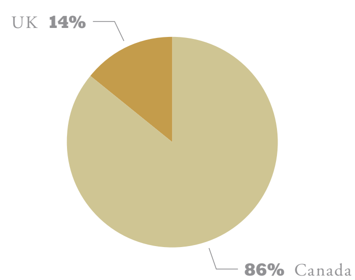
FY 2003 – Total revenue by business segment



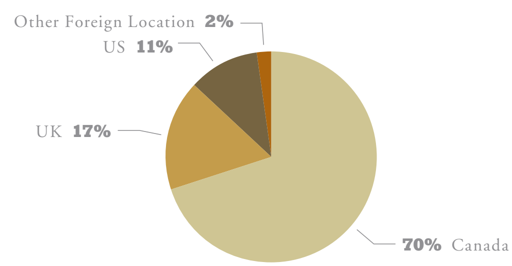
FY 2007 – Total revenue by business segment



FY 2003 – Total revenue by geographic segment



FY 2007 – Total revenue by geographic segment

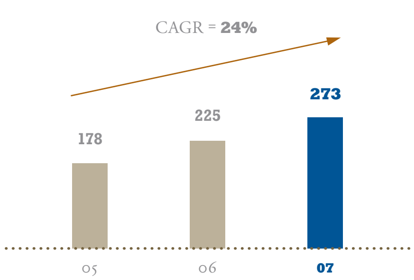


Canaccord Adams Limited constitutes Canaccord's UK geographic segment. Canaccord Adams Inc. and Canaccord Capital Corporation (USA), Inc. constitute Canaccord's US geographic segment. Canaccord Adams is the brand used for the division of Canaccord Capital Corporation engaged in capital markets activities in Canada, for Canaccord Adams Limited in the US, and Canaccord Adams Inc. in the UK.

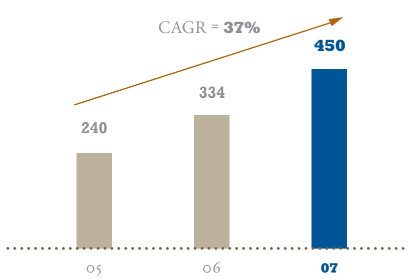
REVENUE DISTRIBUTION BY BUSINESS SEGMENT

(C$ millions)

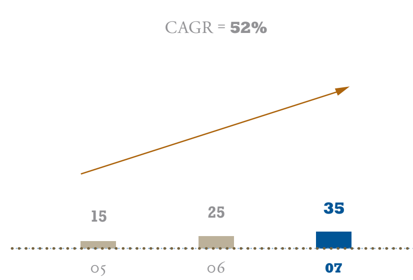
Private Client Services



Canaccord Adams



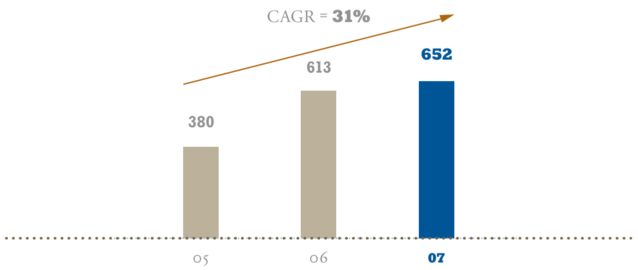
Corporate and Other



PRIVATE CLIENT SERVICES HIGHLIGHTS

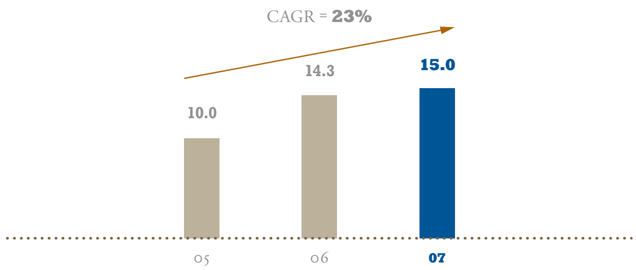
Assets under management (AUM)

(C$ millions)



Assets under administration (AUA)

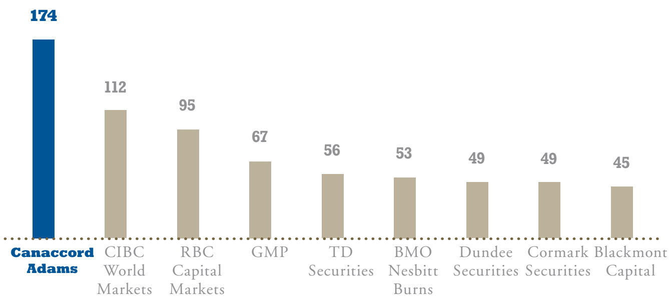
(C$ billions)



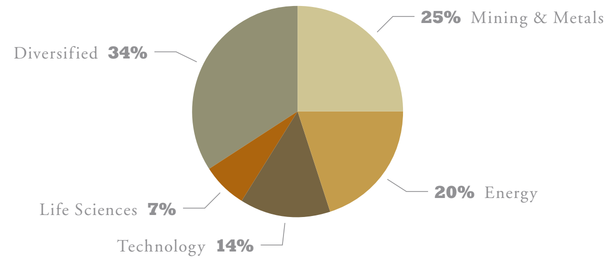
CANACCORD ADAMS HIGHLIGHTS

(Note: Diversified includes Consumer Products, Real Estate and Industrial Growth)

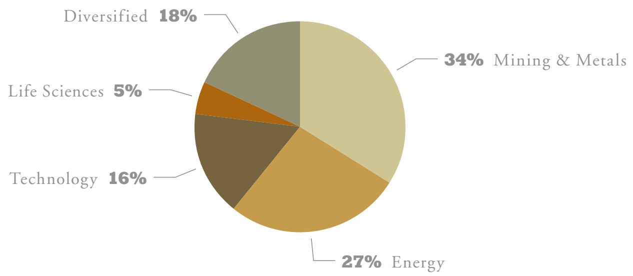
Number of led transactions – equity offerings of $1.5 million and greater during fiscal 2007 [1]



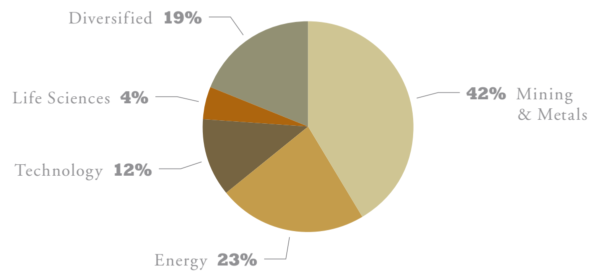
Transactions by sector during fiscal 2007



Revenue by sector during fiscal 2006



Revenue by sector during fiscal 2007



(1) Source: Financial Post Data Group as of March 31, 2007. Canaccord Adams' figure also includes transactions from the UK and US operations.

left to right:

Peter Brown
Chairman &
Chief Executive Officer

Paul Reynolds
President of Canaccord
Capital Inc. &
Chief Operating Officer of
Canaccord Adams Limited

Mark Maybank
Chief Operating Officer of
Canaccord Capital Inc. &
President & Chief Operating
Officer of Canaccord Capital
Corporation

Brad Kotush
Executive Vice President &
Chief Financial Officer

TO OUR SHAREHOLDERS

We are proud to lead the dynamic team of men and women that is today's Canaccord Capital. Their talent in consistently delivering ideas that count, whether to help clients meet their investment objectives or to further our own operating excellence, is the engine that drives the performance of our business and builds value for our shareholders.

Thanks largely to our employees' diligent efforts, fiscal 2007 was Canaccord's fourth consecutive year of record financial performance. Revenues advanced 30% to more than three-quarters of a billion dollars. While expenses increased 33% (due to investments in our capital markets capabilities), net income rose 15%. During fiscal 2007, the Board approved a 25% increase in the common share dividend. Canaccord ended the fiscal year with a strong balance sheet, and equally strong business momentum.

Our performance in fiscal 2007 adds to the financial strength we need for the continued execution of our global strategy – to become the pre-eminent global investment dealer focused on the small to mid-cap market. Our touchstone in that pursuit is focus. We have ensured that Canaccord is focused on a core offering of capital markets and wealth management products. We are specialized in seven growth sectors of economic activity, and we provide clients with access to a global platform based on specific expertise in key markets in Canada, the United States and the United Kingdom. We believe this focus enables us to provide investment insights that add tangible value for clients. Moreover, this specialized depth and breadth of capability is driving continuing improvements in Canaccord's balance and diversification of revenues across markets and industries.

Driving growth through diversification

Canaccord Adams, our capital markets division, enjoyed another excellent year in fiscal 2007. Our investment bankers excel at providing our small and mid-cap clients with the quality ideas that can help drive the growth of their businesses. We offer not only a global platform for distribution and sales but also diversified – and award winning – research expertise across economic sectors that provides strong support for issuers.

Client recognition of our capabilities continues to drive gains in Canaccord Adams' share of Canadian investment banking assignments. While we saw specific strength in our Real Estate, Mining and Metals, Energy and Life Sciences practices during fiscal 2007, it was an excellent year across all sectors. Our global investment banking team led 174 transactions over $1.5 million that raised $5.1 billion in capital – the most transactions of any Canadian investment dealer. It is important to note that 55% of these transactions were for non-resource companies, which is another significant outcome of our long term strategy of diversification.

We are pleased with the progress of our US operations. Fiscal 2007 marked the first full year of our ownership of Adams Harkness Financial Group, Inc., which was rebranded Canaccord Adams Inc. in January 2006. We made further investments during the year to build our investment banking and research teams serving high quality small and mid-cap companies based in the United States, significantly expanding our

capabilities in Energy in Houston, Technology in San Francisco and Life Sciences in Boston. We also rebuilt the company's technology infrastructure for improved productivity and expanded our New York sales operation to provide enhanced client services. Overall, the acquisition is generating a positive cash-on-cash return during this integration and expansion period. More importantly, our US presence has proven to be a competitive advantage in winning new underwriting mandates: our team participated in 30 transactions that raised $2.3 billion in fiscal 2007.

Canaccord Adams Limited is our very successful European subsidiary and, as part of our European strategy, is a leading Nominated Adviser (Nomad) and broker on the AIM of the London Stock Exchange. In the 2007 Hemscott Ranking, Canaccord Adams Limited was the AIM market leader by client market capitalization. We were also the best performing broker on AIM as measured by the price performance of our sponsored listings. These rankings reflect our very deliberate focus on high quality companies and the high quality opportunities they represent for investors. Following a substantial decline on the AIM during fiscal 2007, underwriting activity decreased; nevertheless, we participated in 43 transactions valued at a total of $2 billion. As liquidity returns to the market, we will be there with the quality ideas our clients have come to expect from Canaccord Adams.

In our view, the results of fiscal 2007 demonstrate the efficacy of our strategy of market and sector diversification. Revenues from our Canaccord Adams operations advanced 35% despite business downturns in some areas of our banking business due to Canadian legislation that intends to eliminate the income trust tax structure over a four-year period, US legislation banning the online gaming industry, and the decline in underwriting activity on the AIM. Our diversified base of business across geographies and industries smoothed the impact of these unforeseen events. That in turn enabled us to make ongoing investments in our talent and operations that we are confident will drive further significant improvements in both our financial performance and value growth in the years ahead.

OUR DIVERSIFIED BASE OF BUSINESS ENABLED US TO MAKE ONGOING INVESTMENTS IN OUR TALENT AND OPERATIONS. WE ARE CONFIDENT THIS WILL DRIVE FURTHER SIGNIFICANT IMPROVEMENTS IN BOTH OUR FINANCIAL PERFORMANCE AND VALUE GROWTH IN THE YEARS AHEAD.

Steady growth in Private Client Services

We are very pleased with the consistent performance of our Private Client Services operations. Our Investment Advisors (IAs) did an excellent job during fiscal 2007 of building our base of investment assets and providing specialized skills for smaller investment banking transactions. Given an added boost by strong equity markets during much of the year, assets under administration reached $15 billion at year end, representing 4.9% year-over-year growth and a five-year compound annual growth rate of 31%. Assets under management rose 6.4% over fiscal 2006, contributing to a 58% compound annual rate of growth over the past five years. Revenues for the group grew by more than 21% to a record $273 million, even though our total number of IAs increased only slightly during the year.

Competition for high quality IAs was intense throughout fiscal 2007 in Canada and often marked by what we consider to be uneconomic signing bonuses. We remain focused on expanding our team of skilled advisors by providing an attractive, entrepreneurial environment that features broad product choice, marketing support and state-of-the-art technologies for brokers and their clients.

A growing portion of the new investment assets our IAs attract is being committed to our managed product offerings. These products offer a choice of investment managers and geographic reach that Canaccord clients and their IAs can use to achieve a customized investment portfolio matching their objectives and styles. During fiscal 2007, we added five new managers to our *Alliance Program* and saw continued growth in our *Independence Accounts*. In both of these programs – indeed, in all Canaccord products and services – our intention is to provide IAs and their clients with more access to ideas that count.

A new generation of excellence

Canaccord Capital is fortunate to have a deep, diverse pool of talent throughout our operations that has given us the depth and breadth of resources needed to develop our next generation of leadership internally. We view it as critically important to the preservation of an entrepreneurial culture like ours that future generations of leaders share the common goals and values that have fostered the Company's growth. At the 2006 Annual General Meeting, we were very pleased to announce a substantial internal management transition in which Paul Reynolds moved to the position of President after 22 years with Canaccord. At our Annual General Meeting in 2007, Paul will become the CEO, and Peter Brown will become non-executive Chairman of the Board. Mark Maybank, who joined the firm in 2001, took over the position of Chief Operating Officer at last year's meeting of shareholders. Michael Greenwood, who most recently served as President and COO, resigned after 14 years with Canaccord. Brad Kotush, our CFO, was appointed during 2006, completing our internal transition to a new era of leadership.

CANACCORD CAPITAL IS FORTUNATE TO HAVE A DEEP, DIVERSE POOL OF TALENT THROUGHOUT OUR OPERATIONS THAT HAS GIVEN US THE DEPTH AND BREADTH OF RESOURCES NEEDED TO DEVELOP OUR NEXT GENERATION OF LEADERSHIP INTERNALLY.

The executives who are stepping forward share our common goals and values. Together, they form a deeply experienced management team that is very well positioned to advance the global interests of Canaccord, its clients and shareholders. Paul Reynolds operates from Canaccord Adams' London office; Mark Maybank is located in Toronto; Peter Brown, our Chairman and CEO, and Brad Kotush, CFO, operate from our office in Vancouver. All are connected by a common communications platform. More importantly, each shares a strong passion for the consensus-based, idea-driven environment that is a core value of Canaccord.

The way forward

Although we cannot predict with certainty the trends of investment markets over the coming year, we are cautiously optimistic. We are more optimistic, however, about Canaccord's ability to prosper in various markets. Our focus on diversification is beginning to deliver the quality of results we had expected, and we intend to continue to work towards that objective in the year ahead. That will likely take the form of selected acquisitions of capabilities to build out our core competencies and teams in our seven vertical sectors across each of our three geographies, much as we did during fiscal 2007 in Life Sciences, Energy and Technology.

Fiscal 2008, like any year, will not be without its challenges. New regulations governing best execution are driving the trend to electronic trading in the United States and will likely do the same in Canada. To ensure that we can serve our clients effectively and economically, we recently hired an electronic trading team in Toronto. We will be augmenting our suite of execution services to include direct market access, algorithmic trading and smart order routing in order to better serve new and existing clients. Canaccord is also a founding participant in Alpha, a significant Alternative Trading System currently in development.

The past four years of record results are a tribute to the employees of Canaccord, and we thank them for their dedication to excellence. Their focus on ideas that count, their ability to serve clients in ways that set us apart, and their enthusiasm for being part of an entrepreneurial culture are the real engine of value creation for our shareholders.

Sincerely,

Peter M. Brown
CHAIRMAN & CHIEF EXECUTIVE OFFICER

Paul D. Reynolds
PRESIDENT

7 VALUES

Canaccord's business is driven by seven key values. Pursuing them gives purpose to our work, shapes our strategies and sets the expectations we have for ourselves. Living them creates our entrepreneurial culture and forms the bond of trust and performance we have established with our clients. Realizing them drives value for our shareholders and helps move us closer to our goal of becoming the pre-eminent global investment dealer focused on growth. These are ideas that count.

1

WE PUT OUR CLIENTS FIRST.

We develop deep trust with our clients through detailed consultation, appropriate investment ideas and value-added services.

2

A GOOD REPUTATION IS OUR MOST-VALUED CURRENCY.

Integrity and respect for client confidentiality are the basis of all our relationships.

3

IDEAS ARE THE ENGINE OF OUR BUSINESS.

Our originality in the generation of quality ideas – for clients and for ourselves – positions us ahead of the competition globally.

4

WE ARE AN ENTREPRENEURIAL, HARD-WORKING CULTURE.

We believe that highly qualified, motivated professionals working together in an entrepreneurial environment results in superior client service and shareholder value.

5

WE STRIVE FOR CLIENT INTIMACY.

The more detailed our understanding of our clients' needs and objectives, the better positioned we are to meet them.

6

WE ARE DEDICATED TO CREATING EXEMPLARY SHAREHOLDER VALUE.

We are committed to aligning the interests of our people with fellow Canaccord shareholders through share ownership. We believe that ownership motivates the ideas and efforts that lead to above-average value creation.

7

WE ARE COMMITTED TO EXCELLENCE IN OUR FOCUS AREAS.

We are a focused investment firm, offering global expertise in the Mining and Metals, Energy, Technology, Life Sciences, Consumer Products, Real Estate and Industrial Growth sectors.

left to right (left page):

Jens Mayer
Executive Vice President, Head of Investment Banking

Graham Saunders
Senior Vice President & Director, Institutional Equity Sales

Zoltan Horcsok
Head of Institutional Sales Trading

Bina Patel
Director, Investment Banking, Retail Structured Products

Ron Sedran
Managing Director, Syndication

Ron Rimer
Managing Director, Global Head, Diversified

Charles Shin
Vice President, Investment Banking, Diversified Industries

Joy Fenney
Vice President, Capital Markets Operations

no
FOR LED TRANSACTIONS

EQUITY TRANSACTION HIGHLIGHTS

$326 million on TSX Venture for Peak Gold Ltd.
$200 million on TSX for Yamana Gold Inc.
$200 million on TSX Venture for Bayou Bend Petroleum Ltd.
$187 million on TSX for Niko Resources Ltd.
$187 million on TSX for First Calgary Petroleum Ltd.
$174 million on TSX and AIM for European Nickel
$135 million on TSX and AIM for JumpTV Inc.
$135 million on TSX and AIM for Oilexco Inc.
$125 million on TSX for Corriente Resources Ltd.
$105 million on TSX for InStorage REIT
$92 million on TSX for Westfield REIT

CANACCORD ADAMS

left to right (right page):

Matt Gaasenbeek
Executive Vice President & Managing Director, Institutional Sales and Trading (Canada)

Karl Keegan
Managing Director, Head of Research (UK), Global Sector Head of Life Sciences Research

Erin Needra
Vice President, Corporate Finance

Neil Johnson
Managing Director, Head of Corporate Finance (UK), Global Head of Technology

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For growth companies contemplating the opportunities of global markets, Canaccord Adams is the ideal partner to help realize their entrepreneurial vision. We are a leading investment dealer focused on the mid-market. We offer corporations and institutions an integrated platform for equity research, sales and trading, and investment banking that includes extensive operations in Canada, the United States and the United Kingdom.

Award winning research

Great investment ideas are a combination of focus, expertise and insight. Our 50 senior research analysts offer deep knowledge of the players and trends in seven focus sectors of economic activity. Together, they cover more than 575 small and mid-cap companies in the Mining and Metals, Energy, Technology, Life Sciences, Consumer Products, Real Estate and Industrial Growth sectors, producing actionable, idea-driven research that clarifies current events and anticipates market trends. In the 6th Annual *StarMine* analyst awards, Canaccord ranked as the top independent firm in Canada. Our Canadian analysts ranked first for stock picking in three categories and second in one category. For earnings estimate accuracy, one analyst ranked second and one ranked third. We had additional top three placings in both the US and Europe.

Equally important is the research depth of our global platform. With investment analysts in Canada, the US and the UK, we can provide "on-the-ground" coverage that is sophisticated and thorough. Our integrated research capability across these international markets enables us to provide value-added advice and follow-on coverage for companies pursuing international equity financings and for institutions seeking high quality ideas for their portfolios. The value of Canaccord's global platform is evident at our Summer Seminar, held each year in Boston. The 2006 event was host to 1,100 participants from the US, the UK and Canada, and included institutional investors, presenting companies and private equity firms.

CANACCORD ADAMS
(continued)

left to right (left page):
Graeme Currie
Vice President, Analyst, Junior Mining
Bruce McDonald
Managing Director, Head of Research (Canada), Royalty Trust Analyst
Richard Grafton
Executive Vice President & Managing Director, Global Head of Energy
Glenda Chin
Underwriting, Investment Banking

left to right (right page):
Nigel Little
President of Canaccord Adams Limited (UK)
Mark Vanry
Managing Director, Head of Sales
Nicole Reynolds
Managing Director, Head of Operations
Mike Jones
Managing Director, Global Co-Head of Mining, Corporate Finance
Tim Hoare
Chairman & Chief Executive Officer of Canaccord Adams Limited

WE RANKED NUMBER ONE FOR THE HIGHEST NUMBER OF LED TRANSACTIONS OF 174, WHICH RAISED OVER $5.1 BILLION FOR THE FISCAL YEAR AND FOR PARTICIPATION IN 497 TRANSACTIONS, WHICH RAISED OVER $32.3 BILLION.

Continuing gains in sales and trading

For great investment ideas to really count, they must be appropriate and well executed. These are core strengths of Canaccord Adams' sales and trading desks. With more than 100 professionals on our teams backed by advanced client relationship tools, we ensure that institutional clients receive only those ideas that are suitable for their portfolios. And for clients of all types, we provide timely, efficient execution of transactions of virtually any size or liquidity while managing the market impact and anonymity of the trade.

Canaccord Adams' sales and trading operations are located in Toronto, London, Vancouver, Calgary, Montreal, Boston, New York and San Francisco. We are active on seven exchanges globally: the London Stock Exchange (LSE); AIM, a venture market operated by the LSE; the Toronto Stock Exchange (TSX); the TSX Venture Exchange; the New York Stock Exchange; the American Stock Exchange; and the NASDAQ Stock Market. More importantly, we operate as one integrated team, on a common platform, with dedicated sales specialists. That gives us the ability to get the right investment ideas to our 1,500 institutional clients quickly, anywhere in the world.

$5.1 billion WORTH OF LED TRANSACTIONS

During fiscal 2007, our Canadian sales and trading operations continued to build their market share and revenues, particularly on the TSX Venture Exchange. Here too, we are focused. Canaccord Adams is one of the leading traders of small-cap companies on the TSX by volume. We are a market maker in more than 350 small and mid-cap issuers and can provide clients with significant expertise in real time developments within our seven core sectors. US trading volumes were up only slightly for the fiscal year due to an extremely competitive marketplace, that affected all mid-market dealers. In response, we restructured and expanded our New York sales operation to provide enhanced services to traditional clients as well as alternative asset managers in the New York and mid-Atlantic markets. In April 2007, we hired a highly regarded electronic trading team for our Toronto office that we believe will add significantly to the competitiveness of our operations.

Record year for investment banking

For small and mid-cap clients considering the opportunities of global expansion, the challenges of finding the appropriate idea and the most effective execution can be daunting. With 75 investment bankers in nine offices in Canada, the US and the UK, Canaccord Adams offers these growing companies a highly effective combination of skills that can help them successfully tap the global marketplace: deep sector expertise, a unique global platform for distribution and sales, and broadly based equity transaction and M&A advisory experience.

CANACCORD ADAMS
(continued)

left to right:
Jamie Brown
Managing Director, Head of Investment Banking (US)
Tara Belisle
Principal, Institutional Sales
Tom Gabel
Managing Director, Director of Sales (US)
Kevin Dunn
President & Chief Executive Officer of Canaccord Adams Inc.

12.6%
MARKET SHARE OF LED TRANSACTIONS

This very competitive package of capabilities drove another year of record results at Canaccord Adams, with good diversification across resource and non-resource sectors. During fiscal 2007, we ranked #1 in Canada for leading 174 transactions over $1.5 million that raised $5.1 billion. We participated in 497 transactions that raised total proceeds of $32.3 billion, also placing us first in Canada. In the US, we integrated the US information technology infrastructure with our global platform during fiscal 2007. We also made substantial investments to expand our banking and research capabilities in Energy, Technology and Life Sciences, which positions us well to serve small and mid-cap companies in these sectors. On the London Stock Exchange's AIM, where we are a leading Nomad, Canaccord Adams was the AIM market leader in calendar 2006, as measured by client market capitalization. Canaccord Adams also ranked #1 in the Times' survey for best return on client investment in fundraisings, generating an average return of 95.4%.

During fiscal 2008, we will continue to build out the capabilities and perspective that Canaccord Adams can offer to clients on our global platform. In addition to our new banking and research professionals in the United States, we have made a strategic acquisition of a team for our London office to strengthen and expand our capabilities in the UK investment trust sector.

PRIVATE CLIENT SERVICES

left to right:
J.P. Lavoie
Vice President, National Training & Product Development
De Colson
Senior Investment Advisor
Robert Larose
Executive Vice President & Head of Private Client Services

$15 billion

Fiscal 2007 was another record year for Private Client Services. AUA, driven by excellent asset gathering by our IAs and aided by stronger markets, reached a record $15 billion in fiscal 2007 – a 31% CAGR over the past five years.

Managing wealth effectively in an environment of complex choices requires an investment partner who can ask the right questions and provide thoughtful solutions. Canaccord's 439 Investment Advisors (IAs) are skilled professionals who take a consultative approach to their relationships with clients.

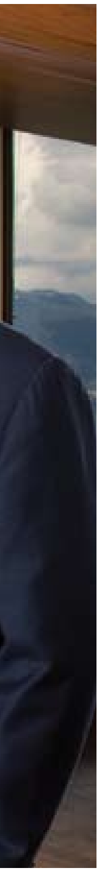
Our focus on providing individual investors and their families with ideas that count drove assets under administration (AUA) to a record $15 billion in fiscal 2007 – a 31% CAGR over the past five years. AUA per IA, or average book size, was more than $34 million, up 2.8% over fiscal 2006 year end. Effective asset gathering, stronger equity markets and managed products helped boost AUA, as did the addition of new IAs and their clients during fiscal 2007.

We take a great deal of pride in the flexible business environment we have created for IAs and their clients. While an increasing number of our brokers focus on wealth management, many Canaccord IAs are also actively involved in both managing investments and providing advice to early- and growth-stage companies seeking growth capital. These financing transactions, which typically fall "below the radar" of investment banks, are not only vital to the growth of companies wishing to expand their operations, but also an important source of revenue for Private Client Services.

Access to ideas that count

In addition to award winning research ideas, Canaccord offers IAs and their clients a comprehensive suite of managed investment products. During fiscal 2007, we added five investment managers to our *Alliance Program* – Connor, Clark & Lunn Financial Group, Dixon Mitchell Investment Counsel, Bissett Investment Management, Barometer Capital and AGF International Advisors – bringing the number of external managers to nine. Our investment managers are carefully selected to match the profile of Canaccord clients, with a deliberate mix of large institutional managers and exclusive relationships with smaller boutique managers.

We also experienced solid asset growth during the year in our *Independence Accounts*, managed by our Chief Portfolio Strategist, Nick Majendie. In addition, Private Client Services added marketing and training support for products such as Individual Pension Plans in order to provide IAs and their clients with more options to accumulate wealth for retirement. These initiatives, as well as stronger markets, helped boost assets under management (AUM) to $652 million. Over the past five years, Canaccord's AUM has grown at a 58% compound annual rate.



PRIVATE CLIENT SERVICES

(continued)

left to right (left page):

Nancy Street
Vice President,
Retail Operations

Carolyn Dahl
Senior Investment Advisor &
Portfolio Manager

Cameron Currie
Senior Investment Advisor

Allison Felstad
Marketing Manager

Peter Chandler
Senior Vice President & Director,
Branch Manager

left to right (right page):

Gordon Chan
Managing Director,
Retail Products Group

Marie Vaillancourt
Investment Advisor

J. Eric Mennell
Vice President [1],
Investment Advisor

[1] Pending regulatory approval

Canaccord offers IAs and their clients a comprehensive suite of managed investment products. Our external investment managers are carefully selected to match the profile of Canaccord clients, with a deliberate mix of large institutional managers and exclusive relationships with smaller boutique managers.

A BUSINESS ENVIRONMENT THAT DELIVERS RESULTS

In the annual Investment Executive Brokerage Report Card, in which advisors rate their firms' operational capabilities, Canaccord consistently maintains a top three ranking among the banks and national independent firms in Canada. In the 2007 Report Card, our IAs rated Canaccord especially high on freedom to make objective product choices as well as on our delivery on promises, strategic focus and corporate culture. Also highly rated were Canaccord's products and support for high net worth clients, quality of equity research and participation in new issues.

OPERATIONS

left to right (left page):

Peter Virvilis
Executive Vice President
Operations & Treasurer

Andrew Jappy
Executive Vice President & Chief
Information Officer

Giti Sepahi
Senior Vice President,
Human Resources

left to right (right page):

Bruce Maranda
Executive Vice President
Global Compliance &
Chief Compliance Officer

Mike Kendall
Chief Financial Officer of
Canaccord Adams Limited

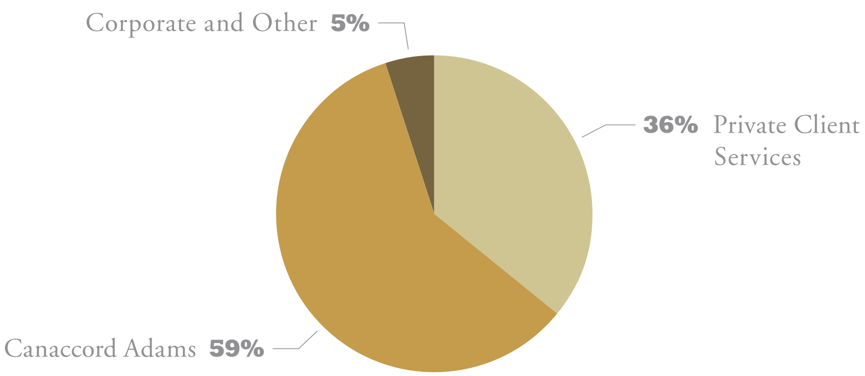
Bernadette Bañares
Corporate Controller

Anthony Ostler
Senior Vice President, Group
Risk & Capital Management

David Bibby
Senior Vice President,
Information Technology

Lynn Higgins
Senior Vice President,
Securities Operations

FY 2007 – Total revenue by business segment



Approximately 360 employees are engaged in information technology, compliance, finance, administration and operations.

Whether they are working in compliance, finance, operations, human resources or information technology, Canaccord's operations team exemplify our supportive and entrepreneurial culture. Their dedication to continuous improvement in our systems and processes – in fact, their ability to stay ahead of requirements for functionality – are fundamental to the quality of service we offer to both fellow employees and external clients.

Canaccord's information technology (IT) infrastructure, in particular, is a distinct competitive advantage that enables us to communicate and execute ideas seamlessly. Our objective is to ensure we maintain our technological edge by investing in proven technologies that add to our capabilities or efficiency. Our US operations were a major focus of IT spending during fiscal 2007.

Our staff completed a significant upgrade of communications technology, equipment and software during the year, integrating it with our global platform and giving our US team access to the high quality tools available across the Canaccord system. During fiscal 2007, we also expanded our Group Risk & Capital Management function. This group benefits from the Company's philosophy of ownership of risk within prescribed limits, and works across Canaccord to manage and mitigate risk to efficiently generate shareholder value.

In all of our operations, and especially in IT, a key objective is to ensure that we can leverage our initial investment in technology to support more products, services and volume on the platform. Our *Pinnacle Correspondent Brokerage Services*, for example, enables us to earn incremental revenue by packaging our back office expertise and IT infrastructure in a turnkey solution for smaller broker dealers wishing to outsource their reporting and trade settlement.

COMMUNITY AND CULTURE

Ken MacPherson
Senior Vice President, Trading

FORTY YEARS OF OUTSTANDING SERVICE

Over four decades ago, a friend gave Ken MacPherson some good advice. "Never stop hustling," he said to Ken, who had recently started as a chalk boy on the floor of the Vancouver Stock Exchange, "and you'll get noticed." He soon was, and years later he became part of an elite team of industry experts that helped design the automated trading system that replaced the old trading floor where he began his career. Ken's remarkable 40-year journey at Canaccord has been marked by his willingness to shoulder increasing responsibilities in almost every area of the firm. Today, as Senior Vice President, Trading, Ken MacPherson's unique combination of operational experience and cultural understanding are critical to the efficiency of Canaccord's trading operations. "We've always been an extended family here," says Ken, "and I believe it's the compassion and commitment of being like a big family that can still set Canaccord apart even as we grow."

CANACCORD IN THE COMMUNITY

We believe that an important part of Canaccord's social responsibility is to support community initiatives in health, education, arts, and economic and social development. Our employees invested many hours of their time and contributed more than $1.2 million in fiscal 2007 to hundreds of important "ideas that count" at the local, national and international levels.

Post-secondary education

Our contribution to establish the Canaccord Learning Commons at the University of British Columbia supports student access to new information technology tools and will help to highlight the Sauder School of Business as a global leader in management thinking.

Cultural institutions

Canaccord is proud to sponsor the Canaccord Capital Exploration Gallery at the Vancouver Aquarium in Vancouver. This initiative supports environmental responsibility in our community and is the world's first aquarium to be gold certified under the international Leadership in Energy and Environmental Design Green Building Rating System. The gallery offers interactive exhibits that challenge, inform and educate visitors.

Children and youth

Canaccord is the title sponsor for the Big Brothers Whistler Golf Classic, a charitable golf tournament that helps raise over $450,000 each year in support of the Big Brothers of Greater Vancouver. Additionally, employees participate every year in Bowl for Big Brothers, an event that supports Big Brothers' mentoring programs for the promotion of healthy development of children and youth through guidance, support and friendship. In Toronto, Canaccord participated in the 10th Annual Bay Street Softball Tournament that raised over $250,000 for the Bloorview MacMillan Children's Foundation to help build their new facility. In the United Kingdom, Canaccord employees support Absolute Return for Kids, an organization that aims to transform the lives of children victimized by abuse, disability, illness and poverty, particularly in Romania and South Africa. Tommy's, a charity focused on early life, promotes research into pregnancy related complications and premature birth. Through the Children's Safety Fund, Canaccord also sponsors a "street smart" program in London that encourages safety and helps distressed children.

FINANCIAL REVIEW

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, which 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 Information Form filed on www.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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year 2007 ended March 31, 2007 – this document is dated June 26, 2007.

The following discussion of Canaccord Capital Inc.'s financial condition and results of operations is provided to enable a reader to assess material changes in financial condition and results of operations for the year ended March 31, 2007, compared to the preceding fiscal year, with an emphasis on the most recent year. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Capital Inc. and "Canaccord" refers to the Company and its direct and indirect subsidiaries. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2007, beginning on page 58 of this report. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. This document is prepared in accordance with Canadian generally accepted accounting principles (GAAP).

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 used 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. ROE is net income divided by average shareholders' equity during the period. Management uses these measures to assess financial performance relative to average capital employed.

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, for 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 approaches used by other companies and therefore may not be comparable. Management uses this measure to assess operational performance of the Private Client Services business segment. AUM is the market value of assets that are beneficially owned by clients and discretionarily managed by Canaccord as part of our *Independence Accounts* program. Services provided include the selection of investments and the provision of investment advice. AUM are also administered by Canaccord and are therefore included in AUA.

BUSINESS OVERVIEW

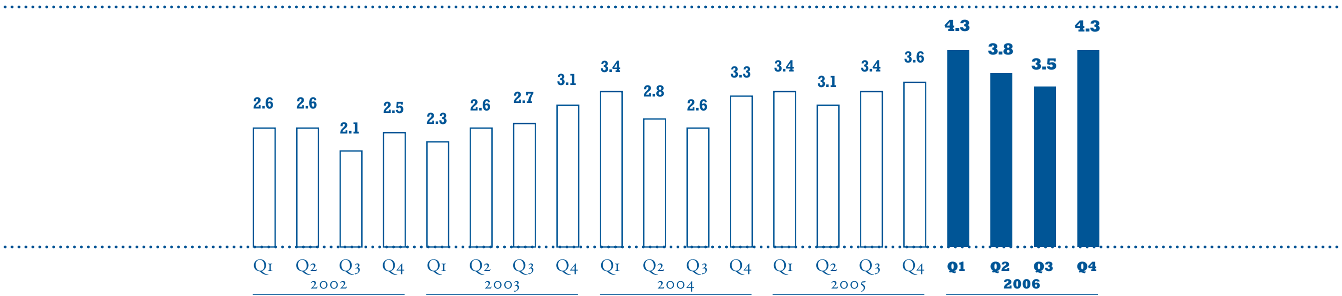
Through its principal subsidiaries, Canaccord Capital Inc. (TSX & AIM: CCI) is a leading independent, full service investment dealer in Canada with capital markets operations in the United Kingdom and the United States. Canaccord is publicly traded on both the Toronto Stock Exchange (TSX) and Alternative Investment Market (AIM), a market operated by the London Stock Exchange. Canaccord has operations in two of the principal segments of the securities industry: private client services and capital markets. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to Canaccord's private, institutional and corporate clients. Canaccord has approximately 1,590 employees worldwide in 30 offices, including 23 Private Client Services offices located across Canada. Canaccord Adams, the international capital markets division, has operations in Toronto, London, Boston, Vancouver, New York, Calgary, Montreal, San Francisco, Houston and Barbados.

Our business is subject to the overall condition of the North American and European equity markets, including seasonal fluctuations. In general, North American capital markets are slower during the first half of our fiscal year, when we typically generate approximately 35% to 40% of our annual revenue. During the second half of our fiscal year we typically generate 60% to 65% of our annual revenue. In early fiscal 2007, North American capital markets performed better than historical seasonal norms and were therefore less affected by typical revenue seasonality. Furthermore, 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 designed to provide service and coverage in the current market environment.

The chart below illustrates the seasonal variance in revenue in the Canadian broker dealer industry over the past four years.

CANADIAN BROKER DEALER TOTAL INDUSTRY REVENUE

(C$ billions, calendar quarters)



Source: Investment Dealers Association as of December 31, 2006, Securities Industry Performance

Canaccord endeavours to reduce its exposure to variances in the equity markets and local economies by diversifying not only its industry sector coverage but also its international scope. Our diversification across the major financial centres has allowed us to benefit from strong equity markets. Since fiscal 2006, we have experienced exceptional growth in the North American markets relative to market activity levels in the UK.

Market data

Trading volume by exchange

(billions of shares)	**Fiscal 2007**	Fiscal 2006	FY07/FY06
TSX	**88.5**	73.1	21.1%
TSX – Venture	**39.9**	26.5	50.6%
AIM	**143.4**	119.8	19.7%
NASDAQ	**282.2**	277.4	1.7%

Source: Canada Equity, LSE AIM Statistics, Thomson One

Impact of changes in capital markets activity

As a brokerage firm deriving its revenue primarily from sales commissions, underwriting and advisory fees, and inventory trading activity, Canaccord's business is materially affected by conditions in the financial marketplace and the economic environment, primarily in North America and Europe. Canaccord's long term, international business development initiatives and infrastructure development laid the solid foundation for Canaccord's revenue diversification and growth in revenue from fiscal 2003 to fiscal 2007.

Canaccord's strong capital base enables it to remain competitive in today's changing financial landscape and to continue its growth by maintaining high standards of client service, enhancing relationships, continually recruiting highly qualified professionals and conducting strategic, institutional and retail acquisitions as opportunities arise.

Canaccord's capital markets activities are focused primarily in the Mining and Metals, Energy, Technology, Life Sciences, Consumer Products, Real Estate, and Industrial Growth sectors, and include investment banking and institutional equities activities, such as sales, trading and research. Canaccord consistently ranks as one of the leading underwriters in terms of transaction participation in Canada and is among the leading Nominated Advisers (Nomads) on AIM in the UK.

Key developments

Implementation of management transition

During the first quarter of fiscal 2007, Canaccord's Board of Directors announced the appointment of Paul Reynolds as President and Mark Maybank as Chief Operating Officer of Canaccord Capital Inc. and the retirement of Michael Greenwood.

Awards and accomplishments

- Canaccord Adams led 174 transactions globally over $1.5 million to raise total proceeds of more than $5.1 billion during fiscal 2007
- Canaccord Adams ranked number one in Canada for proceeds raised in Metals and Mining, Health Care, Energy and Real Estate
- During fiscal 2007, Canaccord Adams participated in a total of 497 transactions globally over $1.5 million to raise gross proceeds of more than $32.3 billion. Of this:
  - Canada participated in 424 transactions, which raised $27.9 billion
  - The UK participated in 43 transactions, which raised $2.1 billion
  - The US participated in 30 transactions, which raised $2.3 billion
- Canaccord Adams was the number one ranked stockbroker for AIM listed companies based on market capitalization (1)
- In fiscal 2007, Canaccord Adams led the following equity transactions: (2)
  - $326 million on TSX Venture for Peak Gold Ltd.
  - $200 million on TSX for Yamana Gold Inc.
  - $200 million on TSX Venture for Bayou Bend Petroleum Ltd.
  - $187 million on TSX for Niko Resources Ltd.
  - $187 million on TSX for First Calgary Petroleum Ltd.
  - $174 million on TSX and AIM for European Nickel
  - $135 million on TSX and AIM for JumpTV Inc.
  - $135 million on TSX and AIM for Oilexco Inc.
  - $125 million on TSX for Corriente Resources Ltd.
  - $105 million on TSX for InStorage REIT
  - $92 million on TSX for Westfield REIT
- Canaccord Adams had eight analysts ranked in the top three in their sectors in the 6th Annual *StarMine* analyst awards, an evaluation of analyst accuracy in stock picking and earnings estimation. Canaccord was the top ranked independent firm in Canada.
  For stock picking:
  Canada
  - Sara Elford placed first in Diversified Industrials
  - Chris Rankin placed first in Hotels, Restaurants & Leisure (including Trusts)
  - Shant Poladian placed first in Real Estate (including REITs)
  - Benoit Caron placed second in Retail

  UK
  - Damien Hackett placed second in Metals & Mining

  For earnings estimate accuracy:
  Canada
  - Andrew Bradford placed second in Energy, Equipment & Services (including Trusts)
  - Jonathan Kelcher placed third in Real Estate (including REITs)

  US
  - Scott Van Winkle placed third in Personal Products
- Key US highlights included:
  - The successful recruitment of a proven emerging therapeutics banking team
  - The addition of a highly regarded medical devices research and banking team
  - Expanded US domestic energy research team with an oil-field services analyst
  - Enhanced facilities in New York and Houston

- In the Investment Executive's Annual Survey of Investment Advisors' 2007 Report, Canaccord was ranked:
  - Tied for number one in overall rating among national independents and bank-owned investment dealers
  - Number two for the firm's delivery on promises
  - Tied for number two for IPOs and new issues
  - Tied for number two for the quality of equity research
- AUA of $15.0 billion, up 4.9% from a year ago
- AUM of $652 million, up 6.4% from a year ago
- As of March 31, 2007, there were a total of 439 Investment Advisors (IAs), up nine from a year ago

(1) Source: Hemscott Corporate Advisers Ranking Guide, February 2007
(2) Source: FPinfomart and company information

MARKET ENVIRONMENT FISCAL 2007

Although the Canadian equity markets experienced a notable pull-back in the spring and summer of calendar 2006, the S&P/TSX Composite Index rallied in the third and fourth quarters to reach a record high close at the time of 13,021 on December 14, 2006, and finished the year with a 14.5% annual gain. In October, the Finance Minister announced the proposal to tax the income trust sector beginning in 2011. This proposal will change the landscape of the trust sector in the years to come as a wave of trust companies will look to recapitalize or consolidate.

In the UK, AIM has continued to experience slower activity levels driven by a number of factors including buyer fatigue for small capitalization companies and a market rebalance after a period of rapid growth. However, other European markets have been tracking higher with positive momentum from mergers and acquisitions, and healthy economic growth. The Dow Jones EURO STOXX 50 Price Index rose 15.1% to close at 4,119 on December 31, 2006.

Other industry trends, such as best execution, are expected to erode general trading commission levels over the coming years for the brokerage industry. In both the US and the UK, regulations have been implemented to require that investment firms achieve the best execution on trades for clients and to increase the transparency of trading operations. The result is the disintermediation of trading and research, which could negatively impact trading commission levels for mid-market dealers. Larger institutions are also using Commission Sharing Agreements (CSAs) between bulge bracket dealers and mid-market dealers to reduce the number of trading arrangements they maintain.

Fiscal 2008 outlook

So far in calendar 2007, the S&P/TSX Composite Index and the Dow Jones Industrial Average (DJIA) have both set record highs. In April, the DJIA broke the 13,000 mark for the first time in history. European markets have also posted healthy gains on the backs of a number of high profile mergers and acquisitions developments. Overall, market sentiments remain positive in the first half of the calendar year.

Market concerns of a slowdown in the US, potential interest rate increases, and an overheated Chinese economy have not yet translated into any significant negative impact to the equity markets. Moderate growth in the equity markets is expected in the second half of the year supported by the considerable amount of liquidity and capital in the global market.

Closer to home, Canada should continue to benefit from the strong global demand for commodities, precious metals and base metals. The Bank of Canada has suggested that the Canadian economy will be operating close to its production capacity for calendar 2007 and 2008.

OVERVIEW OF PRECEEDING YEARS – FISCAL 2006 VS. 2005

Total revenue for the year ended March 31, 2006, was $583.4 million, up $150.6 million, or 34.8%, compared to fiscal 2005 and was primarily due to an increase in capital markets activity in Europe during fiscal year 2006. In particular, AIM enjoyed a successful year. In calendar year 2006, AIM attracted 462 new issues and, for the first quarter ended March 31, 2006, 121 new issues were listed on AIM. Total financing raised was $9.9 billion for the year and represents more than one and a half times the amount raised in 2005. North American equity markets returns were also positive in calendar year 2005. The S&P/TSX Composite Index was up 21.9% from the previous year, outperforming major North American equity markets (S&P500 up 3.0%, DJIA down 0.6% and NASDAQ up 1.4%). This strong performance was largely driven by surging resource-related equities, low interest rates, a strong Canadian dollar, a solid income trust market and robust mergers and acquisitions activity, which totalled $256 billion according to the Investment Industry Association of Canada (IIAC).

Expenses for fiscal 2006 were $464.4 million, up $104.4 million, or 29.0%, from fiscal 2005, reflecting increases in incentive compensation expense of $78.7 million, or 35.7%, general and administrative expenses of $14.1 million, or 43.7%, and an increase in interest expense of $3.1 million, or 39.5% from fiscal 2005. The increase in incentive compensation expense was largely due to steady growth in revenue during fiscal 2006 compared to fiscal 2005.

Net income for fiscal 2006 was a record $81.2 million, up $32.6 million, or 67.0%, from a record level in fiscal 2005. Diluted EPS was $1.74, up $0.63, or 56.8%. For fiscal 2006, ROE was 33.6% compared to an ROE of 23.9% in fiscal 2005. The slower increase in diluted EPS and ROE partially reflects the additional equity resulting from the issuance from treasury of $70 million in common shares from the Initial Public Offering (IPO) on June 30, 2004.

FINANCIAL OVERVIEW:

Selected financial information [1]:

For the year ended March 31 *(C$ thousands, except per share, employee and % amounts)*	**2007**	2006	2005	2007/2006 Increase (decrease)	
Canaccord Capital Inc.					
Revenue					
Commission	**$ 303,672**	$ 239,461	$ 168,978	$ 64,211	26.8%
Investment banking	**350,273**	266,206	214,450	84,067	31.6%
Principal trading	**31,638**	27,388	13,584	4,250	15.5%
Interest	**57,908**	36,914	26,488	20,994	56.9%
Other	**13,423**	13,446	9,278	(23)	(0.2)%
Total revenue	**$ 756,914**	$ 583,415	$ 432,778	$ 173,499	29.7%
Expenses					
Incentive compensation	**382,897**	299,188	220,454	83,709	28.0%
Salaries and benefits	**47,608**	42,019	45,715	5,589	13.3%
Other overhead expenses [2]	**188,212**	123,178	93,853	65,034	52.8%
Total expenses	**$ 618,717**	$ 464,385	$ 360,022	$ 154,332	33.2%
Income before income taxes	**138,197**	119,030	72,756	19,167	16.1%
Net income	**93,456**	81,150	48,579	12,306	15.2%
Earnings per share (EPS) – basic	**$ 2.03**	$ 1.82	$ 1.17	$ 0.21	11.5%
Earnings per share (EPS) – diluted	**$ 1.94**	$ 1.74	$ 1.11	$ 0.20	11.5%
Return on average common equity (ROE)/ return on average capital employed (ROCE)	**28.4%**	33.6%	23.9%	(5.2)p.p.	
Dividends					
Cash dividend	**$ 0.36**	$ 0.28	$ 0.26	$ 0.08	28.6%
Special cash distribution		–	0.15	–	n.a.
Book value per diluted common share – period end	**7.74**	5.99	4.82	1.75	29.2%
US geographic segment [3]					
Revenue	**$ 81,259**	$ 20,036	$ –	$ n.m.	n.m.
Expenses					
Incentive compensation	**42,560**	9,134	–	n.m.	n.m.
Salaries and benefits	**5,110**	1,613	–	n.m.	n.m.
Other overhead expenses [2]	**36,633**	6,133	–	n.m.	n.m.
Total expenses	**$ 84,303**	$ 16,880	$ –	$ n.m.	n.m.
Income before income taxes	**(3,044)**	3,156	–	n.m.	n.m.
Net income	**(1,231)**	2,566	–	n.m.	n.m.
Canaccord Capital Inc. excluding US geographic segment					
Revenue	**$ 675,655**	$ 563,379	$ 432,778	$ 112,276	19.9%
Expenses					
Incentive compensation	**340,337**	290,054	220,454	50,283	17.3%
Salaries and benefits	**42,498**	40,406	45,715	2,092	5.2%
Other overhead expenses [2]	**151,579**	117,045	93,853	34,534	30.2%
Total expenses	**534,414**	447,505	360,022	86,909	19.6%
Income before income taxes	**141,241**	115,874	72,756	25,367	21.3%
Net income	**94,687**	78,584	48,579	16,103	19.2%
Balance sheet data:					
Total assets	**$ 2,609,942**	$ 2,177,973	$ 1,638,165	$ 431,969	19.8%
Long term liabilities	**–**	–	41,618	–	–
Total liabilities	**2,237,751**	1,890,143	1,415,954	347,608	18.4%
Total common equity	**372,191**	287,830	222,211	84,361	29.3%
Number of employees	**1,590**	1,488	1,260	102	6.9%

(1) Data is considered to be GAAP except for ROE, book value per diluted share and number of employees.
(2) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization, development costs, and gain on disposal of investment.
(3) Starting January 3, 2006, revenues and expenses for Canaccord Capital Corporation (USA), Inc. and Canaccord Adams Inc. are disclosed together under the US geographic segment. Therefore, US geographic segment results are not to be interpreted as generated exclusively from Canaccord Adams Inc. or as a result of the acquisition of Adams Harkness Financial Group, Inc. US geographic segment revenue includes revenue from Canaccord Adams Inc., and revenue from Canaccord Capital Corporation (USA), Inc.
n.m.: not meaningful
p.p.: percentage points

Revenue

Revenue for fiscal 2007 was $756.9 million, up 29.7% or $173.5 million from the same period a year ago. The increase in revenue for the year ended March 31, 2007 is due to the overall growth from all business segments and from unseasonally strong revenue generated during Q1/07. Excluding consolidated US operations, revenue for the year would have been $675.7 million, up 19.9% or $112.3 million from the same period a year ago.

Commission revenue is principally generated from private client trading activity and institutional sales and trading. The $64.2 million increase from fiscal 2006 to fiscal 2007 indicates strong market and economic conditions during fiscal 2007, which were reflected in higher trading activities. Trading value on the TSX rose from $773.0 billion for the year ended March 31, 2006, to $939.7 billion for the year ended March 31, 2007, representing an increase of 21.6%. On March 31, 2007, Canaccord had 439 IAs in 23 offices in Canada, with $15.0 billion in assets under administration.

Investment banking revenue was $350.3 million, up $84.1 million, or 31.6%, due to increased market activity and larger transactions. Furthermore, gains on proceeds from the sale of securities received as compensation and secondary offerings also contributed to rising investment banking revenue.

Principal trading revenue was $31.6 million, up 15.5% or $4.3 million, due to favourable market conditions and increased trading activity.

Interest revenue of $57.9 million rose by $21.0 million, or 56.9% from the last fiscal year, mainly due to an increase in the number and size of margin accounts and higher interest rates in Canada since fiscal 2006. Interest revenue is derived from interest realized from financial instruments and fixed income securities held by Canaccord, interest earned on cash balances held at the bank, and interest paid by clients on margin accounts.

Other revenue was $13.4 million, down 0.2%.

Expenses as a percentage of revenue

Year ended March 31 *Increase (decrease) in percentage points*	**2007**	2006	2005	2007/2006 Increase (decrease)
Incentive compensation	**50.6%**	51.3%	50.9%	(0.7)p.p.
Salaries and benefits	**6.3%**	7.2%	10.6%	(0.9)p.p.
Other overhead expenses	**24.8%**	21.1%	21.7%	3.7p.p.
Total	**81.7%**	79.6%	83.2%	2.1p.p.

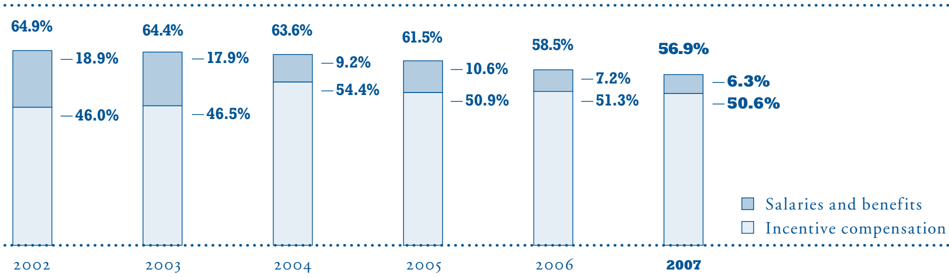
p.p.: percentage points

Expenses for fiscal 2007 were $618.7 million, up 33.2% or $154.3 million from a year ago, reflecting a 28.0% or $83.7 million increase in incentive compensation expense and a 38.8% or $18.0 million rise in general and administrative expense. The increase in incentive compensation expense compared to the previous year reflects the fact that incentive compensation is a variable payment linked to increased revenue earned by Private Client Services and Canaccord Adams in fiscal 2007. Excluding the contribution of expenses from the US geographic segment, overall fiscal 2007 expenses would have been $534.4 million, up $86.9 million or 19.4%.

Incentive compensation and salaries and benefits

Incentive compensation for fiscal 2007 increased by $83.7 million over fiscal 2006. This increase was largely linked to the $173.5 million increase in revenue. Salary and benefits expense for fiscal 2007 increased by $5.6 million, or 13.3% from fiscal 2006. This resulted in a net increase of $89.3 million in total compensation, for an increase of 26.2%, which was lower than the 29.7% growth in revenue. Prior to April 1, 2005, Canaccord's incentive compensation was subject to a step-up based on return on allocated capital. Starting in fiscal 2006, Canaccord's incentive compensation was restructured to a flat percentage payout. As part of this restructuring, certain salary and benefits expenses are now charged against the Canaccord Adams incentive compensation pool and are no longer paid separately by Canaccord. Total compensation also continues to include a 3% allocation to cover applicable National Health Insurance (NHI) taxes for UK based employees. These changes, including the growth in revenue, have effectively reduced the overall total compensation expense ratio for the full fiscal year to 56.9%, down 1.6 percentage points from a ratio of 58.5% for fiscal 2006.

TOTAL COMPENSATION AS A % OF REVENUE



Other overhead expenses

Year ended March 31 *(C$ thousands except % amounts)*	**2007**	2006	2005	2007/2006 Increase
Trading costs	**$ 27,452**	$ 20,615	$ 16,863	33.2%
Premises and equipment	**25,173**	15,843	11,849	58.9%
Communication and technology	**21,472**	16,598	14,037	29.4%
Interest	**20,538**	10,914	7,824	88.2%
General and administrative	**64,182**	46,227	32,171	38.8%
Amortization	**8,151**	4,817	3,185	69.2%
Development costs	**21,244**	9,797	7,924	116.8%
Gain on disposal of investment	**–**	(1,633)	–	n.m.
Total other overhead expenses	**$ 188,212**	$ 123,178	$ 93,853	52.8%

n.m.: not meaningful

Other overhead expenses increased by $65.0 million for fiscal 2007, which increased as a percentage of revenue by 3.7 percentage points compared to fiscal 2006. The increase in other overhead expenses is largely attributable to client-related interest, up 88.2% or $9.6 million and premises and equipment, up 58.9% or $9.3 million. General and administrative expense rose 38.8% or $18.0 million. This increase was to support the overall growth in business activity due to greater market activity and corporate expansion. The largest increases in general and administrative expense were promotion and travel, up 46.4% or $7.8 million; professional fees, up 53.0% or $3.8 million; and office expenses, up 23.0% or $1.8 million.

Development costs

Year ended March 31 (C$ thousands, except % amounts)	2007	2006	2005	2007/2006 Increase (decrease)
Hiring incentives	**$ 16,111**	$ 5,404	$ 3,344	198.1%
Systems development	**5,133**	4,393	4,580	16.8%
Total	**$ 21,244**	$ 9,797	$ 7,924	116.8%

Development costs are a component of other overhead expenses and include hiring incentives and systems development costs. Hiring incentives are traditionally part of Canaccord's recruitment strategy in attracting new IAs or capital markets professionals. Systems development costs are expenditures that Canaccord has made to enhance its information technology platform.

Overall hiring incentives increased by $10.7 million from a year ago. Private Client Services' fiscal 2007 hiring incentives were $6.1 million, up $1.8 million, or 41.5% compared to fiscal 2006. Similarly, hiring incentives for Canaccord Adams were $10.0 million, up $9.0 million. The increase in hiring incentives is due to the recruitment of professionals for both Private Client Services and Canaccord Adams and the retention costs associated with Adams Harkness Financial Group, Inc.'s employees.

Net income for fiscal 2007 was a record $93.5 million, up 15.2% or $12.3 million, from the record level of a year ago. Diluted EPS was $1.94, up $0.20 or 11.5%. For fiscal 2007, ROE was 28.4% compared to 33.6% in fiscal 2006. The slower increase in diluted EPS and ROE relative to net income is partially associated with the issuance of equity from treasury of $70 million in common shares from the IPO on June 30, 2004; the additional issuance of common shares for the purchase of Enermarket Solutions Ltd. and for the acquisition of Adams Harkness Financial Group, Inc.

Income taxes were $44.7 million for fiscal 2007, reflecting an effective tax rate of 32.4% compared to 31.8% a year ago. Our effective tax rate is dependent on the geographic composition of our operating activities. The increase in the effective tax rate is mainly due to an increase in the non-deductible items affecting the determination of taxable income in Canaccord Capital Corporation and in Canaccord Adams Limited. A further discussion of our taxes is provided in the critical accounting estimates section of the MD&A on page 44.

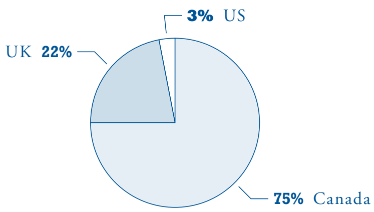
RESULTS BY GEOGRAPHIC SEGMENT

This section is an analysis of Canaccord's results by geographic segment. Until December 31, 2005, Canaccord's business operations were grouped into two geographic segments: Canada (North America) and the United Kingdom (UK). As a result of the acquisition of Adams Harkness Financial Group, Inc., a US geographic segment is now reported separately. Revenue from the UK is derived entirely from Canaccord Adams' activity, while revenue in Canada and the US is derived from the Private Client Services, Canaccord Adams and Corporate and Other segments.

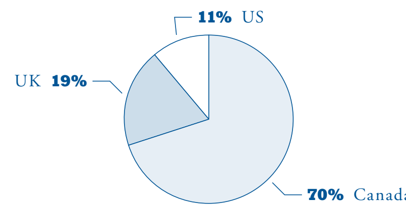
GEOGRAPHIC DISTRIBUTION OF REVENUE

(For the year ended March 31)

2006



2007



Year ended March 31

(C$ thousands, except number of employees and % amounts)	**2007** Canada	**2007** UK (1)	**2007** US (2)	**2007** Total	2006 Canada	2006 UK (1)	2006 US (2)	2006 Total	2005 Total	2007/2006 Increase %
Revenue	**$529,906**	**$145,749**	**$ 81,259**	**$756,914**	$ 437,479	$ 125,900	$ 20,036	$ 583,415	$ 432,778	29.7
Expenses	**431,274**	**103,140**	**84,303**	**618,717**	363,542	83,963	16,880	464,385	360,022	33.2
Income before income taxes	**98,632**	**42,609**	**(3,044)**	**138,197**	73,937	41,937	3,156	119,030	72,756	16.1
Net income	**63,574**	**31,113**	**(1,231)**	**93,456**	48,592	29,992	2,566	81,150	48,579	15.2
Number of employees	**1,334**	**93**	**163**	**1,590**	1,257	81	150	1,488	1,260	6.9

(1) Canaccord's UK operations include activities related to Canaccord Adams Limited, engaging in capital markets activities in the UK. Revenue derived from capital markets activities outside of Canada, the US and the UK is reported as Other Foreign Location, which includes operations for Canaccord International Ltd.

(2) Commencing January 3, 2006, as a result of the acquisition of Adams Harkness Financial Group, Inc., the US geographic segment includes operations for Canaccord Adams Inc., and Canaccord Capital Corporation (USA), Inc., which includes operations from Private Client Services and Other business segments.

Revenue in Canada was $529.9 million, up $92.4 million or 21.1%, reflecting rising demand for commodities and related equities during fiscal year 2007 compared to the same period a year ago. In the UK, revenue was $145.8 million, up by $19.8 million or 15.8%, largely due to favourable market conditions in the UK during the first six months of calendar 2006, particularly in the Energy and Mining sectors. Revenue in the US was $81.3 million, representing revenue generated by Canaccord Adams and Canaccord Capital Corporation (USA), Inc.

Expenses for the fiscal year in Canada were up $67.7 million or 18.6% and in the UK expenses were up $19.2 million compared to the same period a year ago. US expenses for the period were $84.3 million.

QUARTERLY FINANCIAL INFORMATION

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2007. This information is unaudited, but reflects all adjustments of a recurring nature that are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

	Fiscal 2007				Fiscal 2006			
(C$ thousands, except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue								
Commission	**$ 87,682**	**$ 74,380**	**$ 63,556**	**$ 78,054**	$ 88,846	$ 56,701	$ 53,103	$ 40,811
Investment banking	**99,138**	**78,177**	**70,118**	**102,840**	87,977	84,425	44,299	49,505
Principal trading	**9,429**	**9,035**	**5,390**	**7,784**	13,677	6,176	9,276	(1,741)
Interest	**15,656**	**14,355**	**14,259**	**13,638**	11,424	8,886	8,361	8,243
Other	**4,538**	**2,366**	**2,708**	**3,811**	5,150	2,482	3,615	2,199
Total revenue	**$216,443**	**$178,313**	**$156,031**	**$206,127**	$ 207,074	$ 158,670	$ 118,654	$ 99,017
Net income	**26,016**	**23,692**	**17,806**	**25,942**	30,070	24,248	15,754	11,078
EPS – basic	**0.57**	**0.51**	**0.39**	**0.57**	0.66	0.55	0.35	0.24
EPS – diluted	**0.54**	**0.49**	**0.37**	**0.54**	0.63	0.52	0.34	0.24

Quarterly trends and risks

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 and, accordingly, revenue and net income are expected to fluctuate as they have historically. Our business is subject to the overall condition of the North American and the European equity markets, including the seasonal variance in these markets. In general, North American capital markets are slower during the first half of our fiscal year, during which we typically generate approximately 35% to 40% of our annual revenue. During the second half of our fiscal year, we typically generate 60% to 65% of our annual revenue.

During the first quarter of fiscal 2007, global capital markets performed better compared to the same quarter in previous years. Capital markets' activity dropped sharply in late May as Japan's efforts to normalize its economy caused a rise in global interest rates, resulting in slower economic growth on a global scale. This effect was felt in the US as growth slowed to 3.5% in the second quarter of calendar 2006 in response to past monetary tightening and a cooling housing market. Similarly, growth in Canada levelled off at 3.3%, and Canadian capital markets experienced a considerable drop in activity in May 2006, as measured by the volume of equity traded. In Europe, economic activity slowed considerably during fiscal Q1/07 as investor confidence levels plunged in June due to rising inflation and interest rates.

During fiscal Q3/07 an announcement by the federal government of Canada to alter the taxation structure of domestic income trusts had an impact on portions of our Canadian investment banking pipeline. However, it is important to note that a significant portion of our trust related income is derived from REITs, which remain largely unaffected by the proposed legislation.

In the fourth quarter of calendar 2006, equity markets were up from the previous quarter, reflecting a gain in Canadian economic growth due primarily to a quarter-over-quarter increase in commodity prices. The S&P/TSX Composite Index peaked above 13,000 in mid-December, later settling down in the mid-12,000s, partially in response to the drop in oil prices. October saw heavy investment of $6.8 billion in foreign securities by Canadians, which is consistent with our broader thesis of the globalization of the investment business.

Trading volume of shares in fiscal Q3/07 experienced strong double-digit growth relative to fiscal Q3/06 on each of the TSX, TSX-V and AIM exchanges, while NASDAQ trading volumes declined year over year. The stabilization of interest rates in North America continues to encourage capital investment by firms in the US and Canada, and is a positive sign for continuing strength in the North American capital markets; thus, a positive business environment for Canaccord's operations. While rates are rising in the UK and Europe, economic growth in the region is still favourable. Even in the face of a potential US economic slowdown, economic activities in the UK and Europe are not expected to deteriorate in the short term. Thus, a favourable economy in the UK will benefit Canaccord's operations.

Fourth quarter 2007 performance

Revenue was a quarterly record of $216.4 million, up $9.4 million, or 4.5%, compared to the same period a year ago. Revenue increased across all lines of business due to favourable activity in capital markets in North America during the quarter. Overall, fourth quarter 2007 revenue would have been $196.5 million, up $9.5 million, or 5.1% compared to fourth quarter 2006, excluding the contribution of the US geographic segment (see footnote (2) on page 28).

Expenses were $176.3 million, up $12.7 million or 7.8%, from a year ago. This increase is largely attributable to the addition of our US operations, which accounted for $23.0 million in expenses for the quarter. Our US expense profile reflects the investments made in the US to expand and enhance our New York office, to establish our Houston office, and to add research and banking teams to our focus sectors. Overall, fourth quarter 2007 expenses would have been $153.3 million, up 4.4% or $6.5 million excluding expenses incurred by the US geographic segment.

For the quarter, incentive compensation expense was $113.5 million, up 4.8% or $5.2 million, largely due to the increase in incentive based revenue. However, incentive compensation as a percentage of revenue increased to 52.4%, up 0.1 percentage point from the same quarter a year ago.

Net income for the fourth quarter was $26.0 million, down 13.5% or $4.1 million from a year ago. Diluted EPS was $0.54, down $0.09 or 14.3%, and ROE was 29.0% compared to 45.7% a year ago. The decrease in EPS and ROE compared to net income is partially due to the dilution associated with the Adams Harkness Financial Group, Inc. acquisition and the investments made in our US and UK operations. Book value per common share rose by 29.2% to $7.74, up $1.75 from $5.99 a year ago, due to the increase in retained earnings.

BUSINESS SEGMENT RESULTS

	For the year ended March 31								
				2007				2006	2005
(C$ thousands, except number of employees)	**Private Client Services**	**Canaccord Adams**	**Corporate and Other**	**Total**	Private Client Services	Canaccord Adams	Corporate and Other	Total	Total
Revenue									
Canada	**$268,590**	**$227,324**	**$ 33,992**	**$529,906**	$ 223,925	$ 189,074	$ 24,480	$ 437,479	$ 316,688
UK	**–**	**145,749**	**–**	**145,749**	–	125,900	–	125,900	116,090
US	**4,029**	**76,644**	**586**	**81,259**	1,269	18,692	75	20,036	–
Total revenue	**272,619**	**449,717**	**34,578**	**756,914**	225,194	333,666	24,555	583,415	432,778
Expenses	**202,090**	**338,447**	**78,180**	**618,717**	163,976	231,683	68,726	464,385	360,022
Income/(loss) before income taxes	**70,529**	**111,270**	**(43,602)**	**138,197**	61,218	101,983	(44,171)	119,030	72,756
Number of employees	**728**	**502**	**360**	**1,590**	689	464	335	1,488	1,260

Detailed financial results for the business segments are shown in Note 15 of the consolidated financial statements on page 74.

Canaccord's operations are divided into three segments: Private Client Services and Canaccord Adams are the main operating segments while Corporate and Other is mainly an administrative segment.

Private Client Services provides brokerage services and investment advice to private clients primarily in Canada, and to a lesser degree, in the US. Canaccord Adams (formerly known as Canaccord's Global Capital Markets group) provides investment banking, research and trading services to corporate, institutional and government clients as well as conducting principal trading activities in Canada, the United Kingdom and the United States.

Private Client Services' revenue 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 IAs for corporate finance and venture capital transactions by private clients. In fiscal 2007, total revenue was a record $272.6 million, up $47.4 million or 21.1%, from the record level a year ago. For the year, expenses for Private Client Services were up $38.1 million or 23.2% from fiscal 2006.

During fiscal 2006, Canaccord Adams Inc. and Canaccord's Global Capital Markets group (Canada, UK and US) were re-branded globally as Canaccord Adams. Canaccord Adams Inc., together with Canaccord Capital Corporation (USA), Inc., which includes US Private Client Services and Corporate and Other operations, constitutes Canaccord's US geographic segment.

Additionally, Canaccord Capital (Europe) Limited (engaged primarily in capital markets activities in the United Kingdom), was renamed Canaccord Adams Limited and constitutes Canaccord's UK geographic segment.

The division of Canaccord Capital Corporation engaged in capital markets activities in Canada was branded as Canaccord Adams and, together with Canadian Private Client Services and Corporate and Other operations, constitutes Canaccord's Canada geographic segment.

Canaccord Adams' revenue 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. For fiscal 2007, total revenue was a record $449.7 million, up $116.1 million or 34.8% from the record level a year ago. Fiscal 2007 expenses for Canaccord Adams were $338.4 million, up $106.8 million or 46.1% from fiscal 2006.

The Corporate and Other segment includes correspondent brokerage services, interest, foreign exchange revenue and expenses not specifically allocable to the Private Client Services and Canaccord Adams 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 other administrative functions. For fiscal 2007, revenue for the Corporate and Other segment was $34.6 million, up 40.8%, while expenses grew by 13.8% for the year compared to a year ago.

Private Client Services

Overview

Canaccord provides a broad range of financial services and investment products to its private clients, including both proprietary and third party products. 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 private client IAs for corporate finance and venture capital transactions.

Industry profile

The Investment Industry Association of Canada (IIAC) reported that, by the end of the fourth quarter of calendar 2006, full service firms increased their revenues to a record $1.6 billion, up 13.0% from calendar 2005. According to the IIAC, record trading and mutual fund sales last year boosted commission revenue to a record $1.3 billion, up 11.0% from the same period a year ago. The IIAC reported a continuing trend for full service firms to offer non-traditional products and services, which has also led to a steady increase in fee-related income. It is expected that this shift from commission-driven to fee-based and wrap accounts, or a flat fee brokerage account, will generate a valuable and increasing source of income for the industry.

Outlook

We continue to see strong demand for structured financial products other than mutual funds, such as separately managed accounts, exchange traded funds and wrap programs. We believe that Canaccord's structure and independent and entrepreneurial environment provide the flexibility for change in our product offerings. We expect continuing growth in our Private Client Services business, due to the healthy Canadian dollar, buoyant resource prices and the favourable domestic outlook for the remainder of calendar 2007.

Financial performance (1):

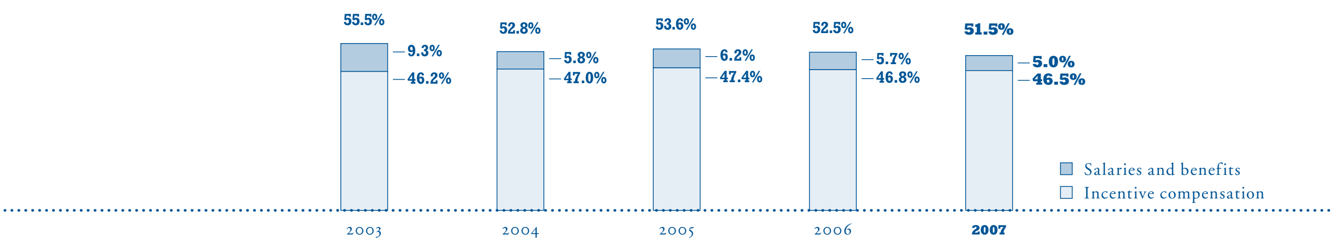
(C$ thousands, except assets under management and assets under administration, which are in C$ millions, numbers of employees and Investment Advisors, and % amounts)	For the year ended March 31				
	2007	2006	2005	2007/2006 Increase	
Revenue	**$ 272,619**	$ 225,194	$ 178,176	$ 47,425	21.1%
Expenses					
Incentive compensation	**126,668**	105,283	84,396	21,385	20.3%
Salaries and benefits	**13,626**	13,053	11,158	573	4.4%
Other overhead expenses	**61,796**	45,640	31,950	16,156	35.4%
Total Expenses	**$ 202,090**	$ 163,976	$ 127,504	$ 38,114	23.2%
Income before income taxes	**70,529**	61,218	50,672	9,311	15.2%
Assets under management (AUM)	**652**	613	380	39	6.4%
Assets under administration (AUA)	**15,014**	14,310	9,967	704	4.9%
Number of Investment Advisors (IAs)	**439**	430	412	9	2.1%
Number of employees	**728**	689	657	39	5.7%

(1) Data is considered to be GAAP except for numbers of IAs and employees, AUA and AUM.

Fiscal 2007 revenue from Private Client Services was $272.6 million, up 21.1% or $47.4 million from fiscal 2006, largely reflecting sustained market activity in North American equity markets relative to the previous year.

Expenses for the year were $202.1 million, up 23.2% or $38.1 million from fiscal 2006. The increase in Private Client Services' expenses is mainly attributable to incentive compensation, interest expense and development costs. Incentive compensation was up $21.4 million, a 20.3% increase from the same period last fiscal year, mainly due to higher revenue from strong activity in the North American equity markets throughout fiscal 2007, particularly in Q1/07. Total compensation payout as a percentage of revenue for fiscal 2007 was 51.5%, down from 52.5% for fiscal 2006, benefiting from the faster growth in revenue relative to the increase in salaries and benefits.

TOTAL COMPENSATION AS A % OF REVENUE



General and administrative expense was up $1.5 million, or 12.5%, and development costs were up $1.8 million, or 41.1%. The greatest increases in general and administrative expenses in fiscal 2007 were recorded in: promotion and travel, up $1.4 million or 49.8%, and other expenses, up $0.9 million.

Income before income taxes for Private Client Services was $70.5 million, up 15.2% from the same period a year ago, reflecting stronger market activity in fiscal 2007 and contributions from IAs recruited in the past year.

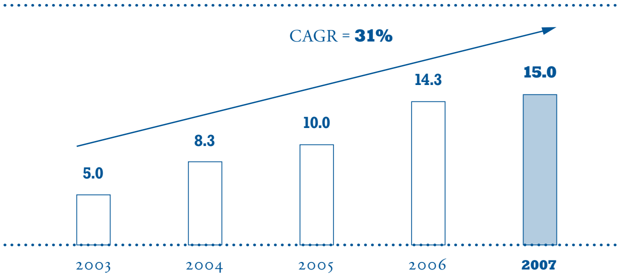
Operational highlights

Canaccord's development of a comprehensive suite of wealth management tools continued in fiscal 2007. We believe that it is important to add to our product base to maintain our growth in this area and to create an environment attractive to IAs. Supported by the demographic and socio-economic trends in Canada, we aim to provide a comprehensive wealth management offering that not only reflects diverse product selection, but puts the 'advisor' role firmly in the hands of the IA.

We continue to be aggressive in recruiting high quality advisors. Since fiscal 2006, we've added a net nine IAs for a total of 439. On March 31, 2007, AUA was $15.0 billion, representing a 31% compounded annual growth rate (CAGR) since 2002. This growth is the result of recruiting established IAs with larger books of business, stronger equity markets and managed products. For the 12 months ended March 31, 2007, AUM in our managed account product line were $652 million, up 6.4% from fiscal 2006.

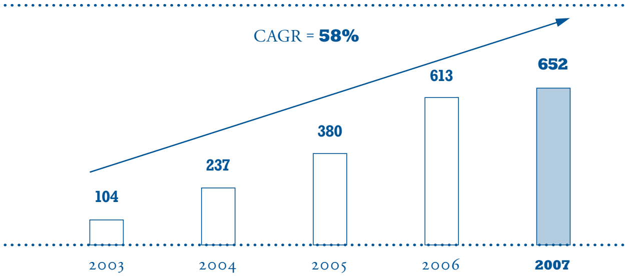
ASSETS UNDER ADMINISTRATION (AUA)

(C$ billions)



ASSETS UNDER MANAGEMENT (AUM)

(C$ millions)



Through Canaccord's separately managed accounts (SMAs), known as the *Alliance Program*, we offer our clients professional portfolio management, with a choice of strategies based on our clients' investment objectives. Building on the success and momentum of Canaccord's internally managed accounts, called the *Independence Accounts*, we have a total of nine external money managers:

- AGF International Advisors
- Barometer Capital Management
- Bissett Investment Management
- Brandywine Global Investment Management
- Connor, Clark & Lunn Financial Group
- Dixon Mitchell Investment Counsel
- Jarislowsky, Fraser Limited
- KBSH Capital Management Inc.
- Seamark Asset Management Ltd.

We continue to develop products and services so that we can offer our IAs the freedom to present the best product mix to their clients, while reinforcing our entrepreneurial culture. During fiscal 2007, in addition to expanding the Alliance Program, Private Client Services rolled out an investment policy statement and financial planning software program, along with a national IA training program.

Canaccord Adams

Overview

Revenue in this business segment is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as net trading gains and losses from Canaccord's principal and international trading operations. Contribution to Canaccord Adams' revenue comes from three regions: Canada, the UK and the US.

Canaccord Adams has experienced tremendous growth – more than doubling its revenue over the last three years and nearly doubling the market share of its Canadian Sales and Trading operations. The integration of the Canadian, UK and US teams has enhanced Canaccord Adams' global research, investment banking, and sales and trading services. In fiscal 2007, the team led 174 transactions globally for clients, each one over $1.5 million, with total proceeds of more than $5.1 billion. Also in fiscal 2007, the team participated in 497 transactions globally for clients, each one over $1.5 million, with total proceeds of more than $32.3 billion. Of this:

- Canada participated in 424 transactions, which raised $27.9 billion
- The UK participated in 43 transactions, which raised $2.1 billion
- The US participated in 30 transactions, which raised $2.3 billion

During fiscal 2007, Canaccord Adams led in the following equity transactions:

- $326 million on TSX Venture for Peak Gold Ltd.
- $200 million on TSX for Yamana Gold Inc.
- $200 million on TSX Venture for Bayou Bend Petroleum Ltd.
- $187 million on TSX for Niko Resources Ltd.
- $187 million on TSX for First Calgary Petroleum Ltd.
- $174 million on TSX and AIM for European Nickel
- $135 million on TSX and AIM for JumpTV Inc.
- $135 million on TSX and AIM for Oilexco Inc.
- $125 million on TSX for Corriente Resources Ltd.
- $105 million on TSX for InStorage REIT
- $92 million on TSX for Westfield REIT

The addition of Canaccord Adams Inc. in the US, as the result of the acquisition of Adams Harkness Financial Group, Inc., has enabled Canaccord to diversify its sector coverage. Canaccord Adams' resource-related revenue was 65% of total revenue in fiscal 2007 from 61% in fiscal 2006. Our balanced profile provides us with the ability to participate in the anticipated continuing commodity bull market, while providing diversification into the Technology, Life Sciences and Industrial Growth sectors.

Operating in 10 offices internationally, Canaccord Adams provides a global perspective and distribution in the following sectors:

- Mining and Metals
- Energy
- Technology
- Life Sciences
- Consumer Products
- Real Estate
- Industrial Growth

Industry profile

Canaccord Adams is active on seven exchanges internationally – the TSX, TSX Venture, LSE, AIM, NASDAQ, NYSE and AMEX. Our expertise in these markets allows us to source low costs of capital, broaden shareholder bases and provide best execution liquidity to our clients.

For fiscal 2007, trading volumes were up 21% on TSX, 51% on TSX Venture and 20% on AIM over fiscal 2006. Although trading volumes were generally up, the industry trend to achieve best execution is expected to erode general trading commission levels over the coming years for the brokerage industry. In both the US and the UK, regulations have been implemented to require that investment firms achieve the best execution on trades for clients and to increase the transparency of trading operations. The result is the disintermediation of trading and research, which could negatively impact trading commission levels for mid-market dealers. As this disintermediation process unfolds, fee-based research products are expected to contribute more as a source of revenue to offset some of the erosion in trading commission. Canaccord Adams offers niche focused, value-added research that we believe differentiates us from other mid-market brokers.

Outlook

Canaccord has traditionally been strong in the resource-related sectors and is well positioned to take advantage of what we believe will continue to be a long term commodity cycle. Our platforms in Canada, the UK and the US have provided Canaccord a unique "cross-fertilization" opportunity to conduct transactions through our expanded distribution capability. We have also diversified in non-resource areas such as Technology, Life Sciences, Consumer Products, Real Estate and Industrial Growth to effectively create a buffer against the volatility in the resource sector.

In Canada, the capital markets will continue to benefit from the global demand in commodities and natural resources. Over the past year, blockbuster acquisitions have taken place in the Canadian market. As the selection of large-cap companies declines on the TSX, more attention will be shifted to the mid-cap market players. Canaccord Adams is uniquely positioned in the mid-market to benefit from this opportunity.

In the UK, Canaccord has firmly established its prominence on AIM through providing sales and trading, research, and investment banking services to institutional and corporate clients. While AIM has continued to experience slower activity levels driven by a number of factors including buyer fatigue for small capitalization companies and a market rebalance after a period of rapid growth, Canaccord has been actively diversifying to new sectors and extending its expertise onto the LSE.

Canaccord will continue to make investments in the US to bring that segment of our business to profitability on a stand-alone basis. The US segment of Canaccord Adams has been an important part of our "cross-fertilization" strategy.

Canaccord's strategy is to continue building our US and UK presence by expanding American and European based relationships and providing institutional clients with a superior and diverse product mix consisting of growing companies with small and mid-market capitalizations in our focus sectors – Mining and Metals, Energy, Technology, Life Sciences, Consumer Products, Real Estate and Industrial Growth.

Financial performance [1]

(C$ thousands, except number of employees and % amounts)	2007 Canada	2007 UK	2007 US [2]	2007 Total	2006 Canada	2006 UK	2006 US [2]	2006 Total	2005 Total	2007/2006 Increase (decrease)
Revenue										
Canada										
Capital markets	**$187,562**	**$ –**	**$ –**	**$187,562**	$ 150,470	$ –	$ –	$ 150,470	$ 95,559	24.7%
International trading	**24,177**	**–**	**–**	**24,177**	20,940	–	–	20,940	15,452	15.5%
Registered traders	**7,878**	**–**	**–**	**7,878**	9,124	–	–	9,124	4,275	(13.7)%
Fixed income	**7,707**	**–**	**–**	**7,707**	8,540	–	–	8,540	8,278	(9.8)%
Total Canada revenue	**227,324**	**–**	**–**	**227,324**	189,074			189,074	123,564	20.2%
UK	**–**	**145,749**	**–**	**145,749**	–	125,900	–	125,900	116,090	15.8%
US [2]	**–**	**–**	**76,644**	**76,644**	–	–	18,692	18,692	–	310.0%
Total revenue	**$227,324**	**$145,749**	**$ 76,644**	**$449,717**	$ 189,074	$ 125,900	$18,692	$ 333,666	$ 239,654	34.8%
Expenses										
Incentive compensation	**115,756**	**77,141**	**40,685**	**233,582**	98,168	68,889	8,547	175,604	125,030	33.0%
Salaries and benefits	**2,944**	**3,139**	**5,110**	**11,193**	3,612	3,210	1,613	8,435	16,577	32.7%
Other overhead expenses	**34,352**	**22,860**	**36,460**	**93,672**	29,855	11,864	5,925	47,644	32,128	96.6%
Total expenses	**153,052**	**103,140**	**82,255**	**338,447**	131,635	83,963	16,085	231,683	173,735	46.1%
Income before income taxes	**74,272**	**42,609**	**(5,611)**	**111,270**	57,439	41,937	2,607	101,983	65,919	9.1%
Number of employees	**246**	**93**	**163**	**502**	233	81	150	464	279	8.2%

For the year ended March 31

(1) Includes the global capital markets division of Canaccord Capital Corporation in Canada; Canaccord Adams Limited in the UK; and Canaccord Adams Inc. and Canaccord Capital Corporation (USA), Inc. in the US.
(2) US geographic segment includes the operations of Canaccord Adams Inc. and Canaccord Capital Corporation (USA), Inc.'s capital markets activities only.
n.m.: not meaningful

Revenue

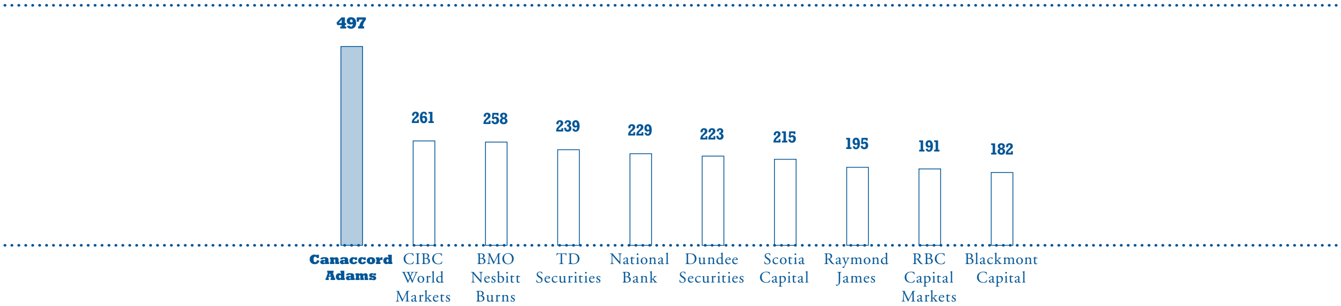
Canaccord Adams' revenue is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal and international trading operations. Accordingly, this revenue is directly affected by the level of corporate and institutional activity and general economic, market and business conditions in Canada and internationally. Revenue for this segment is generated from three regions: Canada, the UK and the US. Furthermore, Canadian operations include revenues generated from the following business centres: Capital Markets, International Trading, Registered Traders and Fixed Income.

For fiscal year 2007, revenue was a record $449.7 million, up 34.8% or $116.1 million from a record level a year ago; this was due to continued growth in market share as well as relatively strong capital markets in Canada. Recently, eight Canaccord Adams analysts were ranked in the top three in their sectors according to the 6th Annual *StarMine* analyst awards, an evaluation of analyst accuracy in stock picking and earnings estimation.

Excluding the contribution of the US geographic segment, revenue would have been $373.1 million, up $58.1 million or 18.4%.

PARTICIPATION IN NUMBER OF TRANSACTIONS – EQUITY OFFERINGS OF $1.5 MILLION AND GREATER

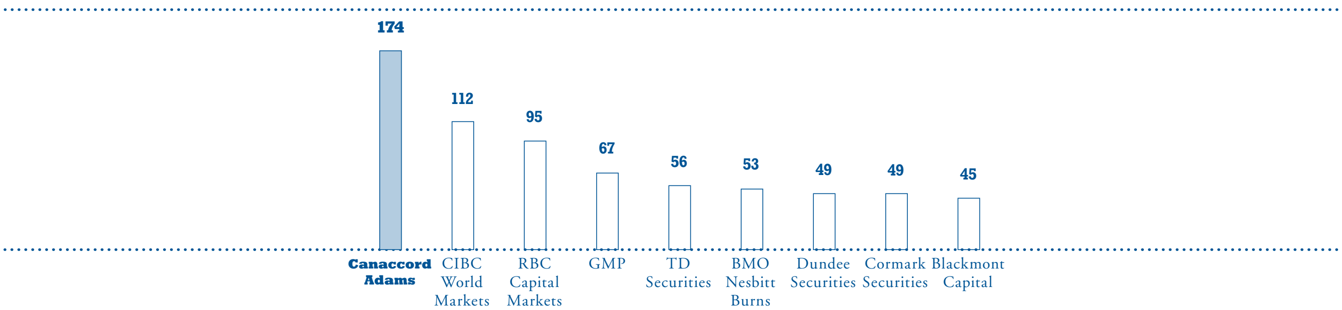
(Fiscal year 2007)



Source: Financial Post Data Group as of March 31, 2007. Canaccord Adams' figure also includes transactions from the UK and US operations.

NUMBER OF LED TRANSACTIONS – EQUITY OFFERINGS OF $1.5 MILLION AND GREATER

(Fiscal year 2007)



Source: Financial Post Data Group as of March 31, 2007. Canaccord Adams' figure also includes transactions from the UK and US operations.

Revenue from Canadian operations

Capital Markets revenue

Total revenue from Canaccord Adams' Capital Markets activities in Canada during fiscal 2007 was a record $187.6 million, up 24.7% from $150.5 million in fiscal 2006. The increase is largely due to strong capital markets activity in North America and Canaccord's growing ability to facilitate larger transactions.

International Trading revenue

Canaccord's International Trading group earns revenue by providing services principally to US brokerage firms, executing orders on their behalf in Canadian listed equities and trading in US equities on behalf of Canadian clients. Revenue in this business was $24.2 million, up $3.2 million or 15.5% from fiscal 2006.

Registered Traders revenue

Canaccord's Registered Traders group operates by taking positions, trading, and making markets in equity securities, including securities of companies with small to medium sized market capitalizations. Revenue is generated through inventory trading gains and losses. Revenue in this business was $7.9 million, down 13.7%, or $1.2 million, from fiscal 2006.

Fixed Income revenue

Canaccord also trades in fixed income securities, generating revenue through interest income and trading gains and losses. Canaccord's activity in this area is generally limited to higher grade corporate and government debt instruments. Revenue in this business was $7.7 million, down $0.8 million or 9.8% from fiscal 2006.

Revenue from UK and Other Foreign Location operations

Canaccord Adams' operations in the UK and Europe include providing institutional sales and trading, corporate finance and research services. Canaccord is an approved broker, sponsor and Nomad for AIM and LSE companies. Revenue derived from capital markets activity outside of Canada, the US and the UK is reported as Other Foreign Location, which includes operations for Canaccord International Ltd. Combined with its capital markets strength in both Canada and the US, Canaccord is in a strong position to serve its corporate and institutional clients and capitalize on the opportunities in this market area. Revenue in this segment was $145.7 million, up $19.8 million or 15.8% from fiscal 2006.

Revenue from US operations

Canaccord Adams' operations in the US were created as a result of the acquisition of Adams Harkness Financial Group, Inc. in Q4/06 and include institutional sales and trading, corporate finance and research teams. Canaccord Adams is now in a strong position to serve its corporate and institutional clients and to benefit from the opportunities in this market area. Operational results for this new geographic segment are reported separately as of January 3, 2006, and therefore no historical data is available for comparative purposes. Revenue generated by Canaccord Adams' operations in the US for fiscal 2007 was $76.6 million.

Corporate Finance activity

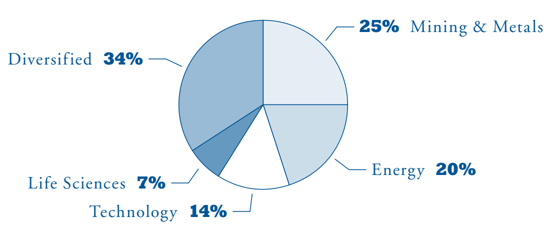
Canaccord Adams' sector mix in fiscal 2007 partially reflected the contribution of sector diversification from the US. Fully 55% of transactions for the segment as a whole came from the Technology, Life Sciences and Diversified sectors. With the opening of a new office in Houston in May 2006, we anticipate that the number of resource-related transactions in the US will increase. Similarly, we expect to facilitate increased activity in the Technology, Life Sciences and Industrial Growth sectors in Canada and the UK.

During the year, Canaccord participated in raising over $32.3 billion for 497 equity offerings of $1.5 million and greater, excluding venture capital. These transactions included 45% from the Mining and Metals, and Energy sectors, due to strong global market demand for natural resources. Canaccord also participated in 162 venture capital transactions with an aggregate transaction value of over $742.6 million.

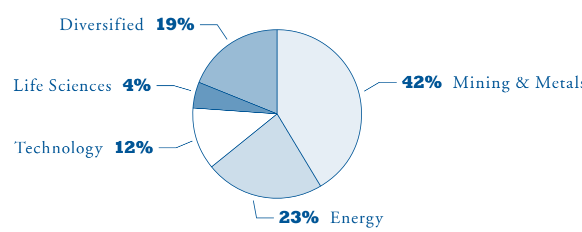
CANACCORD ADAMS – OVERALL

(Note: Diversified includes Consumer Products, Real Estate and Industrial Growth)

Transactions by sector

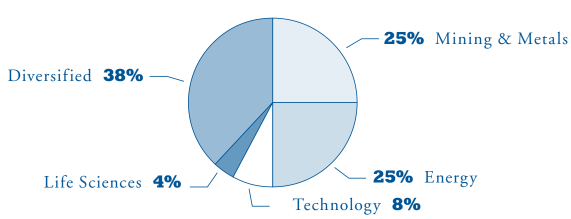


Revenue by sector

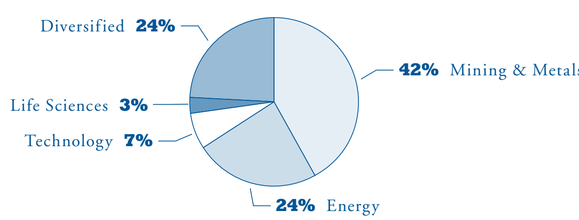


CANACCORD ADAMS – CANADA

Transactions by sector

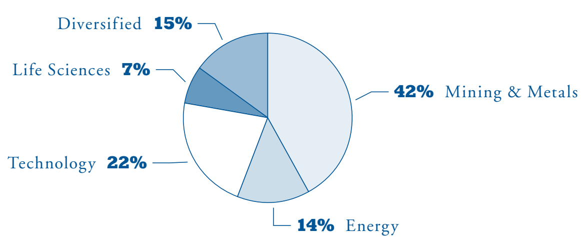


Revenue by sector

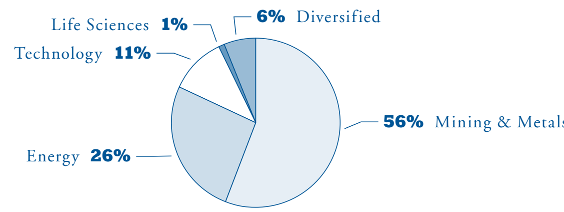


CANACCORD ADAMS LIMITED – UK

Transactions by sector

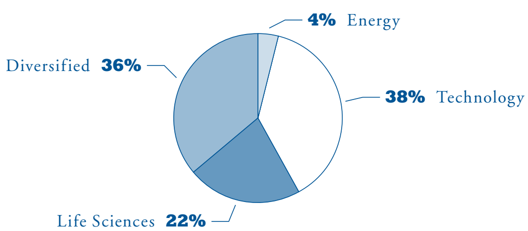


Revenue by sector

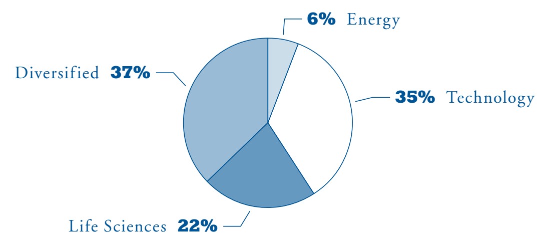


CANACCORD ADAMS INC. – US

Transactions by sector



Revenue by sector



Equity offerings of $1.5 million and greater

	For the year ended March 31					
	2007		2006		2005	
(C$ millions, except number of transactions) Market	**# of transactions**	**Aggregate transaction value**	# of transactions	Aggregate transaction value	# of transactions	Aggregate transaction value
Canada	**424**	**$ 27,937**	315	$ 22,216	360	$ 24,165
UK	**43**	**2,057**	55	3,186	48	1,200
US	**30**	**2,373**	5	505	–	–
Total	**497**	**$ 32,267**	375	$ 25,907	408	$ 25,365

Sources: Financial Post Data Group and Company sources

Total revenue related to mergers and acquisitions increased in fiscal 2007 to $19.9 million, up $12.7 million from $7.2 million in 2006. We will continue to invest in this service offering, as we recognize that revenue generated from mergers and acquisitions advisory services tends to be counter-cyclical to some of our other revenue streams and can generate high margins with low capital requirements.

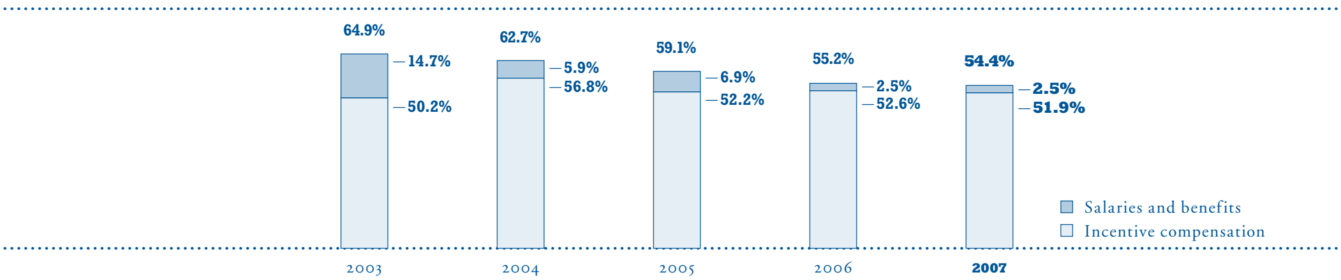
Expenses

Expenses for fiscal 2007 were $338.4 million, up $106.8 million, or 46.1%. Excluding expenses incurred by the US geographic segment, expenses would have been $256.2 million, up $40.6 million or 18.8%. The largest increases in non-compensation expenses were in development costs, up $9.5 million and general and administrative expense, up $14.9 million or 74.3%.

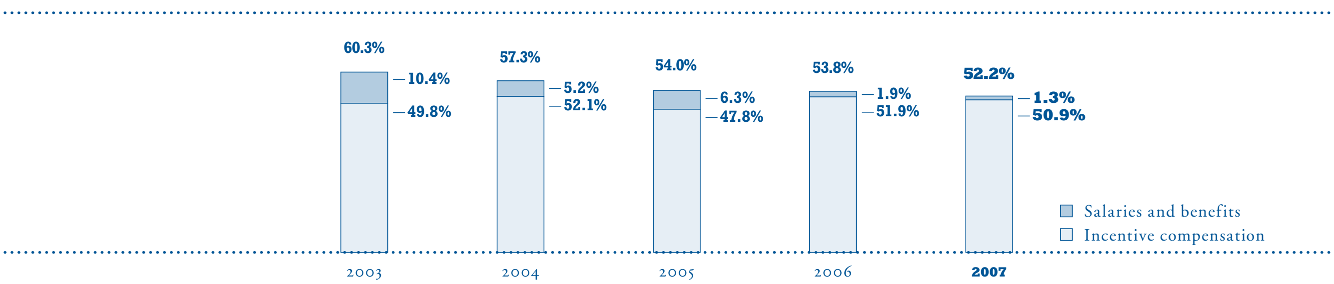
Incentive compensation and salaries and benefits

Incentive compensation for fiscal 2007 increased by $58.0 million over 2006, which was largely linked to the $116.1 million growth in revenue. Salary and benefits expense for fiscal 2007 increased by $2.8 million, or 32.7% from fiscal 2006. This resulted in a net increase of $60.7 million in total compensation, for an increase of 33.1%. As described on page 26, a number of changes were implemented in fiscal 2006, which, combined with strong revenue growth, contributed to the reduction in the overall total compensation expense ratio for the full fiscal year to 54.4%, down 0.8 percentage points from 55.2% in fiscal 2006.

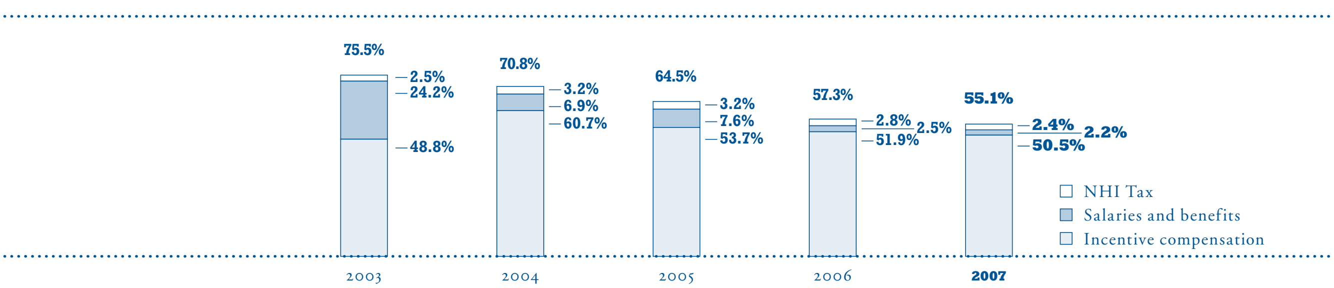
TOTAL COMPENSATION AS A % OF CANACCORD ADAMS REVENUE OVERALL



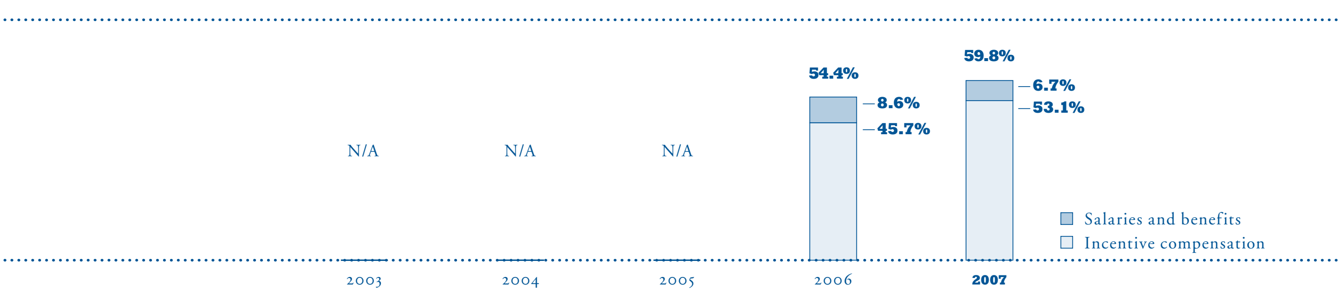
TOTAL COMPENSATION AS A % OF CANACCORD ADAMS REVENUE – CANADA



TOTAL COMPENSATION AS A % OF CANACCORD ADAMS REVENUE – UK



TOTAL COMPENSATION AS A % OF CANACCORD ADAMS REVENUE – US



Other overhead expenses

The greatest increases in general and administrative expense were in promotion and travel, up $5.9 million or 50.6%, to support the overall rise in business activity due to corporate expansion; and professional fees, up $3.5 million or 139.1%.

Income before income taxes for fiscal 2007 was a record $111.3 million, up $9.3 million, or 9.1% from the same period a year ago. The growth in income before taxes is largely attributed to positive equity markets, the enhanced capacity of the Canaccord Adams' team to attract and handle larger transactions, and the change in the total compensation payout ratio.

Corporate and Other segment

Overview

The Corporate and Other segment includes Pinnacle Correspondent Services (Canaccord's correspondent brokerage services division), interest, foreign exchange revenue, and expenses not specifically allocable to Private Client Services and Canaccord Adams. Pinnacle provides execution, clearing, settlement, custody, and front and back office services to other introducing brokerage firms. The Pinnacle business unit was developed as an extension and application of Canaccord's substantial investment in its information technology and operating infrastructure.

Also included in this segment are Canaccord's operations and support services departments, which are responsible for front and back office information technology systems, compliance and risk management, operations, finance and other administrative functions. Canaccord has approximately 360 employees in this segment.

The operations group is responsible for all activity in connection with processing securities transactions, including trade execution, settlement of securities transactions and custody of client securities. The finance department is responsible for internal financial accounting and controls and external financial and regulatory reporting, while the compliance department is responsible for client credit and account monitoring in relation to certain legal and financial regulatory requirements. Canaccord's risk management and compliance activities include procedures to identify, control, measure and monitor Canaccord's risk exposure at all times. These principal risk areas relate to market risk, credit risk, operational risk, and regulatory and legal risk. For more information, please refer to the Risk Management section beginning on page 47.

Financial performance

	For the year ended March 31				
(C$ thousands, except employee and % amounts)	**2007**	2006	2005	2007/2006 Increase (decrease)	
Revenue	**$ 34,578**	$ 24,555	$ 14,948	$ 10,023	40.8%
Expenses					
Incentive compensation	**22,647**	18,301	11,028	4,346	23.7%
Salaries and benefits	**22,789**	20,531	17,980	2,258	11.0%
Other overhead expenses	**32,744**	29,894	29,775	2,850	9.5%
Total Expenses	**$ 78,180**	$ 68,726	$ 58,783	$ 9,454	13.8%
(Loss) before income taxes	**(43,602)**	(44,171)	(43,835)	(569)	(1.3)%
Number of employees	**360**	335	324	25	7.5%

Revenue for fiscal 2007 was $34.6 million, up $10.0 million or 40.8%, from fiscal year 2007.

Fiscal 2007 expenses were $78.2 million, up $9.5 million or 13.8%. The increase in expenses is largely attributable to an increase in incentive compensation of $4.3 million. Also contributing to higher expenses are salaries and benefits, up by $2.3 million or 11.0% from a year ago. However, fiscal 2007 interest expense declined by $1.9 million or 96.4%. Loss before income taxes was $43.6 million for fiscal 2007, an improvement of $0.6 million, or 1.3%, compared to $44.2 million for the same period a year ago.

Operational highlights

Since our IPO in June 2004, we have focused on generating long term growth. We have identified Pinnacle as one of the growth areas in our strategic plan. Pinnacle enables us to leverage our infrastructure investments and technological capability. Through its proprietary web portal, Pinnacle provides access to state-of-the-art front and back office technology platforms, as well as providing the full range of Canaccord's products and services to its correspondent clients. Canaccord has made a substantial long term commitment to this line of business. We believe this business segment can grow by providing correspondent brokerage services to independent dealers in the boutique or specialized categories. Pinnacle's revenue in 2007 was up $2.6 million or 31.4% from a year ago.

FINANCIAL CONDITION

Below are selected balance sheet items for the past five years.

(C$ thousands)	Balance sheet summary for the year ended March 31 2007	2006	2005	2004	2003
Assets					
Cash and cash equivalents	**$ 506,640**	$ 370,507	$ 349,700	$ 91,966	$ 100,024
Securities owned, at market	**348,764**	203,020	160,348	376,447	136,073
Accounts receivable	**1,672,035**	1,539,998	1,068,757	998,815	560,927
Other assets	**48,570**	36,519	59,360	41,138	33,713
Goodwill and other intangibles	**33,933**	27,929	–	–	–
Total assets	**$ 2,609,942**	$ 2,177,973	$ 1,638,165	$ 1,508,366	$ 830,737
Liabilities and shareholders' equity					
Call loans	**$ –**	$ 4,684	$ –	$ 2,541	$ –
Securities sold short, at market	**41,176**	37,169	105,527	281,723	85,373
Accounts payable	**2,156,540**	1,832,956	1,262,072	1,048,395	644,043
Other liabilities	**15,035**	15,334	6,737	17,878	–
Convertible debentures	**–**	–	–	20,377	21,225
Notes payable	**–**	–	41,618	28,765	17,393
Subordinated debt	**25,000**	–	–	10,000	10,000
Shareholders' equity	**372,191**	287,830	222,211	98,687	52,703
Total liabilities and shareholders' equity	**$ 2,609,942**	$ 2,177,973	$ 1,638,165	$ 1,508,366	$ 830,737

Cash and cash equivalents

Cash and cash equivalents were $506.6 million on March 31, 2007, compared to $370.5 million on March 31, 2006. During the fiscal year ended March 31, 2007, operating activities provided cash in the amount of $142.5 million, due to net changes in non-cash working capital items and net income.

Accounts receivable

Client security purchases are entered into on either a cash or a margin basis. When securities are purchased on margin, Canaccord extends a loan to the client, using securities purchased and/or securities in the client's account as collateral. Client accounts receivable were $694.1 million on March 31, 2007, compared to $607.1 million on March 31, 2006. They vary significantly on a day-to-day basis, as they are based on trading volumes and market prices. On March 31, 2007, total accounts receivable were $1.7 billion compared with $1.5 billion on March 31, 2006, mainly due to increases in brokers', dealers' and clients' unsettled trades at fiscal year end.

Call loans

Loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. On March 31, 2007, the amount borrowed pursuant to these call loan facilities was nil compared with $4.7 million on March 31, 2006.

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2007, Canaccord has credit facilities with Canadian, American and United Kingdom banks in an aggregate amount of $518 million [March 31, 2006 – $339 million and March 31, 2005 – $311 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.

Canaccord Capital Corporation has provided a bank letter of credit in the amount of $1.4 million as a guarantee for lease obligations of Canaccord Adams Limited [March 31, 2006 – $1.3 million and March 31, 2005 – $1.4 million]. Canaccord Adams Inc. has also entered into irrevocable standby letters of credit from a financial institution totalling $2.7 million (US$2.3 million) [March 31, 2006 – $1.7 million (US$1.47 million)] as rent guarantees for its leased premises in Boston, New York and San Francisco. As of March 31, 2007, there were no outstanding balances under these standby letters of credit.

LIQUIDITY AND CAPITAL RESOURCES

Canaccord's capital in the business has historically been provided through retained earnings, the sale of equity securities, convertible debentures and subordinated debt in the form of bank loans. Canaccord now has a capital structure underpinned by shareholders' equity, which is comprised of share capital, retained earnings and cumulative foreign currency translation adjustments.

On March 31, 2007, cash and cash equivalents net of call loans were $506.6 million, up $140.8 million from $365.8 million as of March 31, 2006. During the fiscal year ended March 31, 2007, financing activities provided cash in the amount of $5.3 million, which was primarily due to increases in subordinated debt of $25.0 million offset by dividend payments of $16.3 million and $3.4 million for the increase in unvested common shares purchase loans [1] related to Canaccord's Employee Stock Incentive Plan (ESIP) and other stock plans. The addition of subordinated debt provides additional regulatory capital to support business activities across our global platform. Investing activities used cash in the amount of $18.5 million for the purchase of equipment and leasehold improvements. Operating activities generated cash in the amount of $142.5 million, which was due to net increases in non-cash working capital items and net income. An increase in cash of $11.6 million was attributed to the effect of foreign exchange on cash balances. In total, there was an increase in cash of $140.8 million.

Canaccord's business requires capital for operating and regulatory purposes. The 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. 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 due to our introducing brokers, representing net balances in connection with client accounts.

The following table summarizes Canaccord's long term contractual obligations on March 31, 2007.

	Contractual obligations payments due by period				
(C$ thousands)	Total	Fiscal 2008	Fiscal 2009– Fiscal 2010	Fiscal 2011– Fiscal 2012	Thereafter
Premises and equipment operating leases	197,411	21,762	45,259	40,796	89,594

Notes payable and notes receivable

Effective December 23, 2005, Canaccord sold all outstanding notes receivable and repaid all corresponding outstanding notes payable. These notes related to Canaccord's Quebec Immigrant Investor Program. Under this program, immigrant investors borrowed, through a credit facility arranged by Canaccord, the requisite funds for making a qualifying investment for immigration purposes. Canaccord borrowed the investment funds through a non-recourse bank facility, loaned the borrowed funds to the immigrant investor by way of a promissory note, and then pledged the note to the lending bank as collateral for the original loan. The lending bank had no recourse to Canaccord beyond the notes receivable that were pledged as security.

Capital resources

At March 31, 2007, Canaccord has credit facilities with Canadian, US and UK banks in an aggregate amount of $518.0 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 Canaccord. At March 31, 2007, Canaccord did not have any outstanding balances under these credit facilities.

OUTSTANDING SHARE DATA

	Outstanding shares as of March 31	
	2007	2006
Issued shares outstanding excluding unvested shares (1)	**45,973,119**	45,746,033
Issued shares outstanding (2)	**47,831,961**	47,827,350
Issued shares outstanding – diluted (3)	**48,084,304**	48,017,401
Average shares outstanding – basic	**45,969,346**	44,606,134
Average shares outstanding – diluted	**48,080,531**	46,699,304

(1) Excludes 1,858,842 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs for 2007.
(2) Includes 1,858,842 unvested shares relating to share purchase loans for recruitment and retention programs.
(3) Includes 252,343 of share issuance commitment.

(1) These are forgivable loans granted to key employees in connection with the purchase of common stock under the ESIP and other incentive plans.

On March 31, 2007, Canaccord had 47,831,961 common shares issued and outstanding, up 4,611 common shares from March 31, 2006.

Issuance of share capital

Increase (decrease) in number of shares	**Fiscal 2007**
Total common shares issued and outstanding as of March 31, 2006	**47,827,350**
Shares issued in connection with stock compensation plan	**17,133**
Shares cancelled	**(12,522)**
Total common shares issued and outstanding as of March 31, 2007	**47,831,961**

Canaccord's Board originally approved the implementation of the normal course issuer bid (NCIB) to facilitate the purchase of common shares released from escrow, for purposes of either subsequent resale or cancellation. Through this capital management plan, the Board also approved using the NCIB to acquire shares for cancellation, in order to utilize capital that was generated in fiscal 2005.

On December 22, 2006, Canaccord renewed its NCIB for one year commencing on December 29, 2006, and ending on December 28, 2007. The NCIB allows for purchases of up to 5% of Canaccord's issued and outstanding shares at the time of the renewal. At December 29, 2006, there were 2,391,880 common shares available for purchase under the NCIB. Canaccord has agreed with the relevant regulators to update its shareholders at a minimum rate of every two weeks if purchases are made, and will update shareholders immediately if more than 1% of its outstanding shares are purchased in one day. From time to time, Canaccord may purchase its common shares for the purpose of resale or cancellation.

As of March 31, 2007, the maximum number of common shares still available for purchase under the NCIB was 2,391,880, of which 585,000 has been authorized by the Board for purchase and for cancellation under the capital management plan.

On January 3, 2006, Canaccord closed the acquisition of Adams Harkness Financial Group, Inc., which was a privately held Boston, Massachusetts based institutional investment bank. The consideration consisted of US$8 million in cash and the issuance of 1,342,696 common shares from treasury, valued at US$12 million. These shares are held in escrow, with annual releases of one-third per year, beginning on June 30, 2006, and ending on June 30, 2008.

In addition, 1,118,952 common shares were reserved for issuance from treasury as a retention incentive at an estimated cost of up to US$10.0 million for certain key employees of Adams Harkness Financial Group, Inc. to be paid 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. The aggregate number of common shares that will vest and will therefore be issued at the end of the vesting period will be 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 (953,107). 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 weighted average diluted common shares outstanding. In February 2007, the Company issued 6,879 common shares to employees who have ceased their employment in circumstances where the retention plan provides for partial vesting of the shares awarded under the plan. Of the 1,118,952 common shares, 242,089 common shares have been earned to the end of Q4/07. The Company has recorded $2.4 million and $0.5 million as development costs for the years ended March 31, 2007 and March 31, 2006. On March 31, 2007, Canaccord had 47,831,961 common shares outstanding.

During Q3/07, there were 10,254 shares issued under a retention plan in connection with our acquisition of Enermarket Solutions Ltd., a property acquisition and divestiture advisory service firm based in Calgary, Alberta and 6,401 shares acquired by a wholly owned subsidiary, Canaccord Adams Limited, from an employee as a result of the exercise of a pre-existing contractual arrangement and then subsequently cancelled.

During Q4/07, there were 6,879 shares issued in connection with our stock compensation plan, and 6,121 shares cancelled. On March 31, 2007, Canaccord had 47,831,961 common shares outstanding.

On May 16, 2007, the Board of Directors approved stock options to five independent directors. Each of the directors has been granted the option to purchase up to 25,000 common shares of the Company under specified terms.

STOCK-BASED COMPENSATION

Employee Stock Purchase Plan (ESPP)

On April 1, 2005, Canaccord implemented the Employee Stock Purchase Plan (ESPP). This Plan is available to all non-UK based Canaccord full-time permanent employees. Beginning May 2007, employee contributions will be matched on a one to one basis by Canaccord to a maximum of $3,000 per year per employee, up from a maximum of $1,500 matched by the Company. The ESPP is managed by an independent company, and all stock purchases through the ESPP take place in the open market. The ESPP cost for fiscal 2007 of $1.0 million, or 0.14% of Canaccord's annual consolidated revenue, was included in salaries and benefits expense.

RETENTION PLAN

Employee Stock Incentive Plan (ESIP)

The Employee Stock Incentive Plan (ESIP) was aimed at Canaccord's key executive-level employees as a reward and retention program and to balance employee share ownership. Canaccord loaned 40% of the purchase price of Canaccord shares, which were purchased on the open market. These loans are forgivable over a four-year period as long as the employee works for Canaccord. The ESIP cost, for fiscal 2007 was $2.2 million, or 0.3% of Canaccord's annual consolidated revenue, was included in incentive compensation expense.

Stock Compensation Plan (SCP)

On October 1, 2005, Canaccord rolled out a Stock Compensation Plan (SCP) aimed at rewarding and retaining IAs in the Private Client Services business segment. The cost of the SCP, which was $3.3 million or 0.4% of Canaccord's annual consolidated revenue, is included in the incentive compensation expense for the business segment and is almost entirely offset by the change in the payout compensation structure for IAs. Canaccord rewards IAs through this program based on their gross production and certain minimum requirements. Stock is purchased on behalf of IAs on the open market using a forgivable loan through this program and vests over a three-year period.

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 and capital requirements and such other factors as the Board determines to be relevant. In Q3/07, the Board approved a quarterly dividend increase of $0.02 per share to $0.10 per share. The Board approved a common share dividend of $0.10 per share for Q4/07, and Canaccord intends to pay a $0.10 regular quarterly common share dividend for each quarter in fiscal 2008.

INTERNATIONAL FINANCIAL CENTRE

Canaccord is a member of the International Financial Centre Vancouver, which provides certain tax and financial benefits pursuant to the *International Financial Business (Tax Refund) Act* of British Columbia. 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 March 31, 2007, forward contracts outstanding to sell US dollars had a notional amount of US$12.9 million, down from $90.9 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$2.5 million, down from US$7.0 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 UK 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 UK pounds sterling.

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 consolidated financial statements for the year ended March 31, 2007. 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 held, including share purchase warrants and options, are recorded at market value and, accordingly, the audited consolidated financial statements reflect unrealized gains and losses associated with such securities. 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 are valued on a basis determined by management using information available and prevailing market prices of securities with similar qualities and characteristics, if known.

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.

Provisions

Canaccord records provisions related to pending or outstanding legal matters and doubtful accounts associated with client receivables, 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. Client receivables 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

In connection with the acquisition of Enermarket Solutions Ltd., Canaccord agreed to issue common shares to key employees of Enermarket and its senior management over two years. Similarly, in connection with the acquisition of Adams Harkness Financial Group, Inc., Canaccord agreed to issue common shares to certain key employees of Adams Harkness upon the expiry of a three-year vesting period, with the numbers of common shares to be adjusted in the event that certain revenue targets are not achieved.

Canaccord uses the fair-value method of accounting for these payments, which includes making estimates in respect of forfeiture rates. Under this method the compensation expense is recognized over the relevant vesting period on a pro rata basis as revenue targets are achieved. The fair value of the stock-based compensation was determined as of the grant date.

RECENT ACCOUNTING PRONOUNCEMENTS

In 2005, the CICA released three new accounting pronouncements related to financial instruments and hedging. The new guidance consists of three new Handbook Sections: CICA Handbook Section 3855, "*Financial Instruments – Recognition and Measurement*", CICA Handbook Section 3865, "*Hedges*" and CICA Handbook Section 1530, "*Comprehensive Income*". These new standards will become effective for the Company as of April 1, 2007. The impact to the consolidated financial statements from the adoption of these new accounting standards is not expected to be material.

Financial Instruments – Recognition and Measurement

This standard prescribes the recognition and measurement of financial instruments. All financial instruments must be classified as one of the following categories: held for trading, held to maturity, loans and receivables, and available for sale assets. The financial assets categorized as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The financial assets classified as loans and receivables and held to maturity are measured at amortized cost.

Hedges

This standard sets out the criteria of when hedge accounting is applied and how it is applied. It provides the option of designating qualifying transactions as hedges for accounting purposes. The qualifying hedging relationships include fair value hedges, cash flow hedges, and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. The changes in the fair value of the hedging derivatives will be recognized in net earnings or other comprehensive income depending on the nature of the hedging relationships. Any gains and losses resulting from any ineffectiveness in hedging relationships are recognized in net income immediately.

Comprehensive Income

This section establishes standards for the reporting and disclosure of comprehensive income in a new category, Accumulated Comprehensive Income, which will be added to shareholders' equity on the consolidated balance sheet. Comprehensive income includes all changes in equity of the Company during a period except those resulting from investments by shareholders and distributions to shareholders. The major components included in Accumulated Comprehensive Income will be unrealized gains and losses on financial assets classified as available for sale, and unrealized foreign exchange gains and losses arising on translation of the financial statements of self-sustaining foreign operations.

Disclosure controls and procedures and internal control over financial reporting

Disclosure controls and procedures

As of March 31, 2007, an evaluation was carried out, under the supervision of and with the participation of management, including the Chairman & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *Multilateral Instrument 52-109*. Based on that evaluation, the Chairman & CEO and the Executive Vice President & CFO concluded that the design and operation of these disclosure controls and procedures were effective as of March 31, 2007.

Internal control over financial reporting

Management, including the Chairman & CEO and the Executive Vice President & CFO, has caused to be designed such internal control over financial reporting as defined under *Multilateral Instrument 52-109* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that occurred during the year ended March 31, 2007, that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

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.

RISK MANAGEMENT

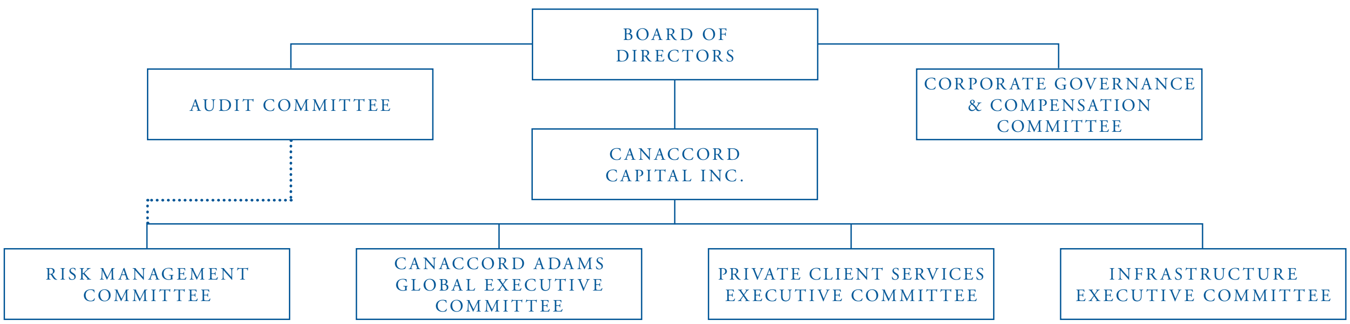
Overview

Canaccord has adopted a disciplined approach to its risk management process. This discipline encompasses a number of functional areas and requires constant communication, judgment and knowledge of the business, products and markets. Canaccord's senior management is actively involved in the risk management process and has developed policies and reports that require specific administrative procedures and actions to assess and control risks. These policies and procedures are subject to ongoing review and modification as activities, markets and circumstances change.

A cornerstone of Canaccord's risk philosophy is the continuation of the first line of responsibility for managing risk within prescribed limits by branch managers, department heads and trading desk managers. The monitoring and control of Canaccord's risk exposure is conducted through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems. In addition, the Risk Management Committee, which is shown in its organizational context below, is responsible for monitoring risk exposures and for general oversight of the risk management process. Canaccord created the Risk Management Committee in fiscal 2007 and it is led by the CFO. The committee members include the CEO, President, COO and senior management representation from the key revenue producing businesses and functional areas of Canaccord.

GOVERNANCE

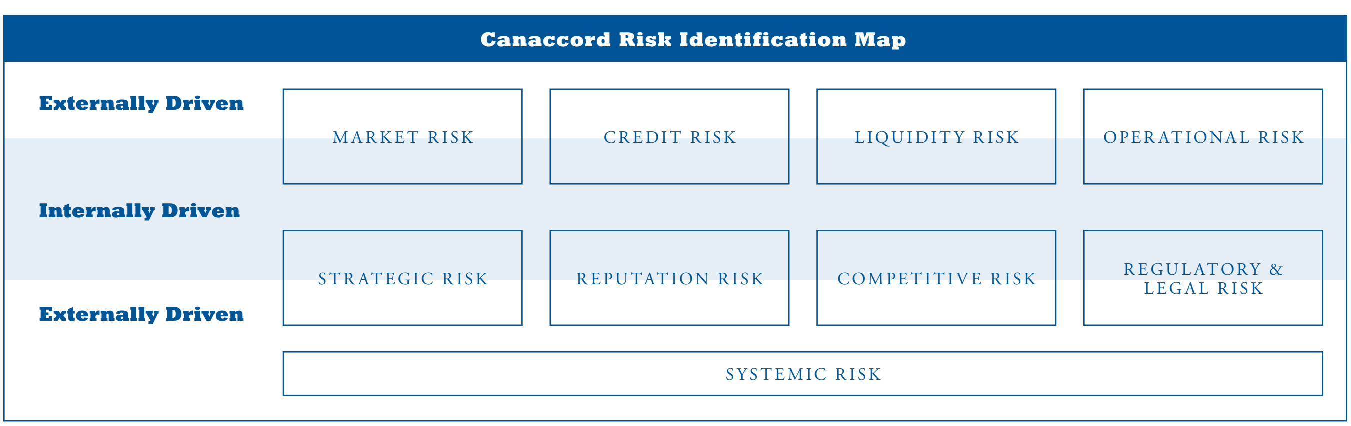
Canaccord's governance structure includes the following elements:



The segregation of duties and management oversight are important aspects of Canaccord's risk management process. Canaccord has a number of functions that are independent of the revenue producing businesses that perform risk management activities, including the monitoring, evaluating and analyzing of risk. These functions include Group Risk & Capital Management, which was created during fiscal 2007, Compliance, Operations, Treasury, Finance and Legal. Canaccord's Audit Committee receives various quarterly and annual updates and reports on key risk metrics and the overall risk management program.

Uncertainty and risk are inherent in any financial markets activity. As an active participant in the Canadian and international capital markets, Canaccord is exposed to risks that could result in financial losses. As identified in Canaccord's Risk Identification Map below, Canaccord's principal risks relate to market risk, credit risk, liquidity risk, operational risk, strategic risk, reputation risk, competitive risk, and regulatory and legal risk. Accordingly, risk management and control of the balance between risk and return are critical elements in maintaining Canaccord's financial stability and profitability.

PRINCIPAL RISKS



Canaccord allocates considerable internal resources to risk management and has developed a number of policies and procedures to identify, control, measure and monitor its risk exposure at all times. Diversification across multiple business lines, product areas, deal size and industry sectors and geographical diversification, help to reduce risk and the overall impact of any volatility in revenues or profitability, as well as to minimize the impact of losses that may arise from any particular area of Canaccord's business.

Even with the policies and procedures that Canaccord has established for controlling or limiting risk, there is no certainty that they will be completely effective. Unforeseen events and changes in the economy may lead to market disruptions and unexpected large or rapid changes in market prices and conditions, which may have a significant adverse effect on Canaccord's business, financial prospects and stability.

Market risk

Market risk is the risk that a change in market prices, foreign exchange rates, interest rate levels, inflation, indices, liquidity and other market factors will result in losses. Each business area is responsible for ensuring that market risk exposures are prudent. In addition, Canaccord has established procedures to ensure that risks are measured, closely monitored, controlled and visible to senior levels of management.

Canaccord is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. Canaccord is also exposed to specific interest rate risk due to its principal trading in fixed income securities. In addition to active supervision and review of trading activities by senior management, Canaccord mitigates its risk exposure through a variety of limits to control concentration, capital allocation and capital usage, as well as through trading policies and guidelines. Canaccord manages and monitors its risks in this area using both qualitative and quantitative risk measures, not only on a company wide basis, but also by trading desk and by individual trader. Management also reviews and monitors inventory levels and positions, trading results, aging and concentration levels. In this way, Canaccord can ensure that it is adequately diversified with respect to market risk factors and that trading activity is within the risk tolerance levels established by senior management.

With the competitive nature of financial markets in Canada, certain of Canaccord's investment banking activity is done on a 'bought deal' basis whereby an underwriting commitment is made subject to only very limited termination provisions. These termination conditions usually exclude reductions in market price and, accordingly, Canaccord faces a risk of loss in the event that underwritten securities cannot be resold to investors at the issue price because of changes in market price or other factors. Canaccord distributes and limits its risk exposure in this area by participating in most cases on a syndicated basis, requiring that all such transactions be approved by senior management in both finance (for purposes of capital allocation) and capital markets (for purposes of deal quality and marketability) and limiting the time period between the date a commitment is made and the date Canaccord is able to distribute or resell the underwritten securities to investors.

Securities held by Canaccord are recorded at market value and, accordingly, the consolidated financial statements of Canaccord reflect any unrealized gains and losses arising from changes in the market values of such securities. See "Critical accounting estimates – Revenue recognition and valuation of securities" on page 44. Losses arising as a result of any declines in market prices are therefore recognized at that time and recorded as a reduction of revenue.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The primary source for credit risk to Canaccord is in connection with trading activity by clients in the Private Client Services business segment and private client margin accounts. In order to minimize financial exposure in this area, Canaccord applies certain credit standards and conducts financial reviews with respect to clients and new accounts.

Canaccord provides financing to clients by way of margin lending. In a margin based transaction, Canaccord extends credit for a portion of the market value of a securities transaction in a client's account, up to certain limits. Margin loans are collateralized by securities in the client's account. In connection with this lending activity, Canaccord faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and if Canaccord is unable to recover sufficient value from the collateral held. For margin lending purposes, Canaccord has established limits that are generally more restrictive than those required by applicable regulatory policies. The determination on whether to add to the minimum regulatory capital requirements of securities eligible for margin is discretionary and is based on price, market, liquidity and quality. Canaccord adjusts its margin requirements if it believes that its risk exposure is not appropriate.

Canaccord also faces a risk of financial loss with respect to trading activity by clients if such trading results in overdue or unpaid amounts in under-secured cash accounts or failure by clients to meet cash calls, in the event market prices for securities sold short in short accounts increase, and Canaccord is unable to purchase the securities to cover the short position at prices covered by the available credit in the client's account. Canaccord has developed a number of controls within its automated trade order management system to ensure that trading by individual account and advisor is done in accordance with customized limits and risk parameters. Canaccord also utilizes a system of risk-adjusted reserve accounts to provide limited additional financial coverage.

Canaccord records a provision for bad debts in general and administrative expenses. Any actual losses arising from or associated with client trading activity as described above are charged to this provision. Historically, this provision has been sufficient to cover actual losses.

Canaccord is engaged in various trading and brokerage activities whose counterparties primarily include broker dealers, banks, clearing agents, exchanges, financial intermediaries and other financial institutions. These activities include securities borrowing and lending, and entering into repurchase agreements and reverse repurchase agreements. In the event counterparties do not fulfill their obligations, Canaccord may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty and/or the issuer of the instrument. Canaccord manages this risk by imposing and monitoring individual and aggregate position limits within each business segment for each counterparty, conducting regular credit reviews of financial counterparties, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions and conducting business through clearing organizations that guarantee performance. Historically, Canaccord has not incurred any material loss arising from a default by a counterparty.

Liquidity risk

Liquidity risk is the risk that an institution is unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments as they come due. Canaccord has a number of systems, policies and processes in place to monitor and manage regulatory capital requirements, working capital needs and cash flows to help provide a sufficient buffer against liquidity risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, fraud, people and systems or from external events, such as the occurrence of disasters or security threats. More specific examples of operational risk as it relates to Canaccord include the risk of financial loss resulting from Canaccord's own operations including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in Canaccord's operating systems, and inadequacies or breaches in Canaccord's control procedures. Canaccord operates in different markets and relies on its employees and systems to process a high number of transactions. In order to mitigate this risk, Canaccord has developed a system of internal controls and checks and balances at appropriate levels, which include overnight trade reconciliation, control procedures related to clearing and settlement, cash controls, physical security, independent review procedures, documentation standards, billing and collection procedures, and authorization and processing controls for transactions and accounts. Canaccord also has disaster recovery procedures in place, business continuity plans and built-in redundancies in the event of a systems or technological failure. In addition, Canaccord utilizes third party service agreements and security audits where appropriate. Historically, Canaccord has not incurred any material losses arising from operational matters or technological failures.

Strategic risk

Strategic risk is the risk that a firm or one of its particular businesses will make inappropriate strategic choices, or is unable to successfully implement selected strategies or related plans and decisions. Furthermore, the effective management and allocation of resources, maintenance, retention and development of intellectual capital are internal strategic risk management factors.

In addition to its senior leadership, Canaccord has the above illustrated executive committees that meet regularly to address a number of strategic, tactical, competitive, operational and business development activities. The Company's Board of Directors and senior management conduct regular and periodic reviews of its strategies, annual budgeting plans and performance management reviews. Canaccord has a number of performance management systems and continues to invest in enhancing information systems and processes to provide further insights into Canaccord's performance versus its objectives.

Reputation risk

Reputation risk is the risk that an activity undertaken by an organization or its representatives will impair its image in the community or lower public confidence in it, resulting in the loss of business, legal action or increased regulatory oversight. Possible sources of reputation risk could come from operational failures and non-compliance with laws and regulations. Reputation risk can also be reflected within customer satisfaction and external ratings, such as equity analyst reports. In addition to its various risk management policies, controls and procedures, Canaccord has a Chief Ethics Officer, a formal Code of Business Conduct and Ethics and an integrated program of marketing, branding, communications and investor relations to help manage and support Canaccord's reputation.

Competitive risk

Competitive risk is the risk associated with the inability to build or maintain sustainable competitive advantage in a given market or markets. Competitive actions in the areas of pricing, recruitment of staff, product replication, industry changes and new entrants can have an unfavourable impact on Canaccord.

Regulatory and legal risk

Regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements. Canaccord is subject to extensive regulation and oversight in the jurisdictions in which it operates. These regulations are established through government regulation by a variety of government agencies and through industry regulation by a variety of self-regulatory bodies. Canaccord has established procedures to ensure compliance with all applicable statutory and regulatory requirements in each jurisdiction. These procedures address issues such as regulatory capital requirements, disclosure requirements, internal controls over financial reporting, sales and trading practices, use of and safekeeping of client funds, credit granting, collection activity, money laundering and recordkeeping.

Legal risk includes litigation risk. As with other securities dealers, Canaccord is involved in litigation and is a defendant in various legal actions.

With respect to Canaccord's capital markets activity, Canaccord has procedures in place to review potential investment banking clients and proposed transactions and to ensure that all of its capital markets activity is compliant with regulatory requirements. These procedures include the active involvement of senior management through a regime of committee approvals and authorizations, the use of external legal counsel as appropriate, and utilizing in-house professionals with industry experience. Losses or costs associated with routine regulatory and legal matters are included in general and administrative expenses in Canaccord's consolidated financial statements.

Losses, if any, arising from significant legal matters, are recorded in general and administrative expenses in Canaccord's consolidated financial statements.

Systemic risk

Systemic risk is the risk that the financial system as a whole may not withstand the effects of a crisis resulting from extraordinary economic, political, country-specific, industry-specific, company, social or financial circumstances. This could result in financial, reputation or other losses.

RISK FACTORS

Overview

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. Revenue from Private Client Services' activity is dependent on trading volumes and, therefore, is linked to the level of market activity and investor confidence. Revenue from Canaccord Adams' activity 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 the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position. Furthermore, Canaccord's business is cyclical and thus experiences considerable variations in revenue and income from quarter to quarter and year to year due to the factors discussed above. These factors are beyond Canaccord's control and, as a result, revenue and net income will fluctuate, as they have historically.

An investment in the common shares of Canaccord involves a number of risks. Some of these, including market risk, credit risk, liquidity risk, operational risk, strategic risk, reputation risk, competitive risk, and regulatory and legal risk could be substantial and are inherent in Canaccord's business. Risk management at Canaccord is a significant priority due to the importance of its effectiveness on Canaccord's operations. For the discussion on Risk Management, please see pages 47 to 50 in this MD&A. Risks include, but are not necessarily limited to, those set out below. Investors should carefully consider the following information about risks, together with the other information in this document, before making investment decisions. It should be noted that this list is not exhaustive, but contains risks that Canaccord considers to be of particular relevance. Other risk factors may apply.

Risks associated with the financial services business generally

The financial services business is, by its nature, subject to numerous and substantial risks, particularly in volatile or illiquid markets and in markets influenced by sustained periods of low or negative economic growth, including the risk of losses resulting from the underwriting or ownership of securities, trading, counterparty failure to meet commitments, customer fraud, employee errors, misconduct and fraud (including unauthorized transactions by traders), failures in connection with the processing of securities transactions, the risk of litigation, the risk of lower revenue in periods of reduced demand for public offerings or less activity in the secondary markets and the risk of smaller spreads on the trading of securities.

Financial scandals in the earlier portion of this decade, including insider trading, accounting practices and misrepresentations to shareholders and the public by corporate issuers, and improper practices by financial institutions, affected the ability and willingness of participants to engage in capital markets transactions and to trade in securities. These scandals and any scandals in the future may have an adverse effect on Canaccord's business and operating results, despite its non-involvement.

Canaccord may enter into large transactions in which it commits its own capital as part of its trading business. The number and size of these large transactions may materially affect Canaccord's results of operations in a given period. Canaccord may also incur significant losses from trading activities, due to market fluctuations and volatility from quarter to quarter. Canaccord maintains trading positions in the fixed income and equity markets to facilitate client trading activities. To the extent that Canaccord has long positions, a downturn in the value of these assets or in related markets could result in losses. Conversely, to the extent that Canaccord has short positions, an increase in price or an upturn in related markets could expose Canaccord to potentially unlimited losses, as it attempts to cover short positions by acquiring assets in a rising market.

Risk management policies and procedures

Canaccord's risk management policies and procedures are based on historical market behaviour and depend on evaluations of certain information regarding markets, clients and other matters. Canaccord's risk management strategies and techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, and there may be situations where existing procedures and methods do not adequately identify existing risk exposure or predict future risk exposure or where risk exposure may be substantially higher than historical measures indicate. Accordingly, there is no certainty that Canaccord's risk management policies, systems and procedures will be adequate to prevent substantial financial loss.

Risks of reduced revenues due to economic, political and market conditions

Reductions in the number and size of public offerings and mergers and acquisitions, and reduced securities trading activities, due to changes in economic, political or market conditions, could cause Canaccord's revenues from Private Client Services' and Canaccord Adams' activities to decline materially. The amount and profitability of these activities are affected by many national and international factors, including economic, political and market conditions; the level and volatility of interest rates; legislative and regulatory changes; exposure to fluctuations in currency values; inflation; inflows and outflows of funds of mutual and pension funds; and availability of short term and long term funding and capital.

The financial scandals referred to above, particularly in the United States, led to insecurity and uncertainty in the financial markets and contributed to declines in capital markets during 2002. In response to these scandals, securities regulators made rules or rule proposals contemplating significant changes to corporate governance and public disclosure. To the extent that private companies, in order to avoid becoming subject to these new requirements, decide to forego initial public offerings, Canaccord's equity underwriting business may be adversely affected. In addition, new corporate governance rules and proposals, coupled with economic uncertainty, may divert many companies' attention away from capital market transactions, including corporate finance activities, which would have a negative impact on Canaccord's business.

Risk of changes in foreign currency exchange rates

Canaccord's results are reported in Canadian dollars. A portion of Canaccord's business is conducted and denominated in UK pounds sterling and in US dollars. Any fluctuations in the value of the pound sterling and in the US dollar relative to the Canadian dollar may result in variations in the revenue and net income of Canaccord. Canaccord manages some of its foreign exchange settlement risk by periodically hedging pending settlements in foreign currencies. However, these procedures may not be adequate and do not address the impact that any changes in currency values may have on Canaccord's financial reporting in Canadian dollars and the possibility that such changes may have an adverse impact on Canaccord's business, results of operations and financial condition.

Risks of reduced revenue due to declining market volume, prices or liquidity

Canaccord's revenue may decrease in the event of a decline in market volume, prices or liquidity. Declines in the volume of securities transactions and in market liquidity generally result in lower revenue from trading activities and commissions. Lower price levels of securities may also result in a decreased volume of underwriting transactions and could cause a reduction in revenue from corporate finance activities as well as losses from declines in the market value of securities held in trading, investment and underwriting positions, reduced Private Client Services' fees and withdrawals of funds under management. Sudden sharp declines in market values of securities can result in illiquid markets and the failure of issuers and counterparties to perform their obligations, as well as increases in claims and litigation. In such markets, Canaccord may also experience declining revenue or losses in its principal trading and market-making activities.

Risks of reduced revenue during periods of declining prices or reduced activity in targeted industries or geographic markets

Canaccord's revenue is likely to be lower during periods of declining prices or inactivity in the market for securities of companies in Canaccord's focus sectors. Canaccord's business is particularly dependent on the market for equity offerings by companies in the Mining and Metals, Energy, Technology, Life Sciences, Consumer Products, Real Estate and Industrial Growth sectors. These markets have historically experienced significant volatility, not only in the number and size of equity offerings, but also in the aftermarket trading volume and prices of newly issued securities.

The growth in Canaccord's revenue is attributable in large part to the significantly increased number and size of underwritten transactions by companies in Canaccord's target industries and by the related increase in aftermarket trading for such companies. Underwriting activities in Canaccord's targeted industries can decline for a number of reasons, including market uncertainty, inflation, rising interest rates and related issues. Underwriting and brokerage activity can also be materially adversely affected for a company or industry segment by disappointments in quarterly performance relative to an analyst's expectations or by changes in long term prospects.

Canaccord's investment banking clients generally retain Canaccord on a short term basis in connection with specific capital markets or advisory transactions, rather than on a recurring basis under long term contracts. As these transactions are typically singular in nature and Canaccord's engagements with clients may not recur, Canaccord must seek out new engagements when current engagements are successfully completed or terminated. As a result, high activity levels in any period are not necessarily indicative of continuing high levels of activity in any subsequent period. If Canaccord is unable to generate a substantial number of new engagements that generate fees from the successful completion of transactions, its business and results of operations would likely be adversely affected.

Canaccord's revenue rose by almost 300% from fiscal 2003 to fiscal 2007, including more than a fivefold increase in revenue from UK and Other Foreign Location operations. There can be no assurance that this revenue level is sustainable.

Risks of underwriting activities

Participation in underwritings involves both financial and regulatory risks. Canaccord may incur losses if it is unable to resell the securities it is committed to purchase or if it is forced to liquidate its commitment at less than the agreed purchase price. In addition, Canaccord (including when acting as a co-manager) may retain a significant concentration in individual securities. Increasing competition is expected to continue to erode underwriting spreads, thereby reducing profitability. Canaccord may also be subject to substantial liability for material misstatements or omissions in prospectuses and other communications or offering documents with respect to underwritten offerings, and may be exposed to claims and litigation arising from such offerings.

Asset management revenue is subject to variability based on market and economic factors and the amount of assets under management

Asset management revenue includes revenues we receive from management, administrative and performance fees from funds managed by Canaccord, revenues from asset management and performance fees we receive from third party managed funds, and investment income from Canaccord's investments in these funds. These revenues are dependent upon the amount of AUM and the performance of the funds. If these funds do not perform as well as Canaccord's asset management clients expect, these clients may withdraw their assets from these funds, which would reduce our revenues. Canaccord experiences fluctuations in its quarterly asset management revenue, which may contribute to Canaccord not meeting revenue expectations.

Fluctuations in market price

Certain factors, such as sales of common shares into the market by existing shareholders, fluctuations in Canaccord's operating results or those of its competitors, market conditions for similar securities, and market conditions generally for other companies in the investment banking industry or in industries that Canaccord focuses on, could cause the market price of the common shares to fluctuate substantially. In addition, the stock market has experienced significant price and volume fluctuations that have affected the market prices of equity securities, and have often been unrelated to the operating performance of such companies. Accordingly, the market price of common shares may decline even if Canaccord's operating results or prospects have not changed.

Interest rate risk may affect the value of financial instruments held by Canaccord

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by Canaccord. Canaccord strives to reduce and monitor its exposure to interest rate risk through quantitative analysis of its net positions in fixed income securities. Canaccord hedges its positions but does not hedge its net exposure to interest rate risk as ongoing exposure is usually minimal.

Effects of inflation may affect costs, profitability and the value of financial instruments

As Canaccord's assets are generally liquid in nature, they are not significantly affected by inflation. However, the rate of inflation affects Canaccord's expenses, such as employee compensation, office space leasing costs and communications charges, which may not be readily recoverable in the price of services offered by Canaccord. To the extent that inflation results in rising interest rates and has other adverse effects upon the securities markets, it may adversely affect our financial position and operational results.

Dependence on availability of capital

Canaccord's business depends on the availability of adequate funding and regulatory capital under applicable regulatory requirements. Underwriting commitments require a charge against capital and, accordingly, Canaccord's ability to make underwriting commitments may be limited by the requirement that it must at all times be in compliance with applicable net capital regulations. Other Canaccord Adams' activity and Private Client Services' activity also require charges against capital for regulatory purposes. Although Canaccord expects to have sufficient capital to satisfy all of its capital requirements, there can be no assurance that any, or sufficient, funding or regulatory capital will continue to be available to Canaccord in the future on acceptable terms.

Credit risk and exposure to losses

Canaccord is exposed to the risk that third parties owing Canaccord money, securities or other assets will not meet their obligations. These parties include trading counterparties, clients, clearing agents, exchanges, clearing houses and other financial intermediaries as well as issuers whose securities are held by Canaccord. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons.

Canaccord provides financing to private clients by way of margin lending. In a margin based transaction, Canaccord extends credit for a portion of the market value of a securities transaction in a client's account up to certain limits. Margin loans are collateralized by securities in the client's account. In connection with this lending activity, Canaccord faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline, and if Canaccord is unable to sell the securities held as collateral at a price that will cover the amount of the outstanding loan.

Although Canaccord regularly reviews credit exposure to specific clients, counterparties, industries, countries and regions that it believes may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. Canaccord may also fail to receive full information with respect to the trading risks of a counterparty.

Significant fluctuations in quarterly results

Canaccord has experienced losses in one of the last five fiscal years. Canaccord's revenue and operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, including the number of underwriting transactions completed, the level of institutional and retail brokerage transactions, variations in expenditures for personnel, litigation expenses and expenses of establishing new business units. Canaccord's revenue from an underwriting transaction is recorded only when the underwriting transaction closes. Accordingly, the timing of recognition of revenue from a significant transaction can materially affect quarterly operating results. Canaccord's cost structure is oriented to meeting the current level of demand for investment banking transactions. As a result, despite the variability of incentive compensation, Canaccord could experience losses if demand for these transactions declines more quickly than its ability to change its cost structure, which includes fixed salaries and benefits expenses. Due to the foregoing and other factors, there can be no assurance that Canaccord will be able to sustain profitability on a quarterly or annual basis.

Significant competition may adversely impact revenues and profits

Canaccord is engaged in the highly competitive securities brokerage and financial services business. Canaccord competes directly with large Canadian, US and UK securities firms, securities subsidiaries of major chartered banks, major regional firms and smaller niche players. Many other companies have more personnel and greater financial resources than Canaccord does. These companies compete directly with Canaccord for private clients, investment banking clients, investment advisors, professional staff and other industry personnel. Larger competitors are able to advertise their products and services on a regional or national basis and may have a greater number and variety of distribution outlets for their products, including retail distribution. Discount brokerage firms market their services through aggressive pricing and promotional efforts. In addition, some competitors have a much longer history of investment banking activities than Canaccord and, therefore, may possess a relative advantage with regard to access to deal flow and capital. This competition could have a material adverse effect on Canaccord's operating results as well as Canaccord's ability to attract and retain highly skilled individuals. There can be no assurance that Canaccord will be able to compete effectively. Canaccord believes that some of the most significant opportunities for growth will arise outside Canada. In order to take advantage of these opportunities, Canaccord will have to compete successfully with financial institutions based in international markets, particularly in the United Kingdom. Certain institutions are larger, better capitalized and have a stronger local presence and a longer operating history in these markets.

Dependence on systems

Canaccord's business is highly dependent on communications and information systems. Any failure or interruption of Canaccord's systems, or those of third parties such as service providers, clearing corporations and exchanges, could cause delays or other problems in Canaccord's sales, trading, clearing, settlement and other client services, which could have a material adverse effect on operating results. There can be no assurance that Canaccord will be able to prevent any systems failures or interruptions, including those caused by an earthquake, fire, other natural disaster, power or telecommunications failure, act of God, act of war or terror or otherwise, or that back-up procedures and capabilities in the event of failure or interruption will be adequate. Even though Canaccord has back-up procedures and duplicate systems in place, excess capacity and business continuity plans, there is no assurance that procedures and plans will be sufficient or adequate in the event of a failure or catastrophe and, consequently, such an event could have a material adverse affect on Canaccord's operating results and financial condition.

In addition, Canaccord's ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its businesses and the communities in which it is located. This may include a disruption involving electrical, communications, transportation or other services used by Canaccord or third parties with which Canaccord conducts business, whether due to fire, other natural disaster, power or communications failure, war or otherwise. Nearly all of Canaccord's employees in its primary locations, including Vancouver, Toronto, London (UK) and Boston, work in close proximity to each other. If a disruption occurs in one location and employees in that location are unable to communicate with or travel to other locations, Canaccord's ability to service and interact with clients may suffer and Canaccord may not be able to implement successfully contingency plans that depend on communication or travel.

Canaccord's operations also rely on the secure processing, storage and transmission of confidential and other information in computer systems and networks. Although Canaccord takes protective measures and tries to modify them as circumstances warrant, computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and events that could have a security impact. If one or more of these events occur, this potentially could jeopardize Canaccord's, or its clients' or counterparties' confidential and other information processed and stored in, and transmitted through, computer systems and networks, or otherwise cause interruptions or malfunctions in clients', counterparties' or third parties' operations. Canaccord may be required to expend significant additional resources to modify protective measures or to investigate and remediate vulnerabilities or other exposures, and Canaccord may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by Canaccord.

Dependence on ability to retain and recruit personnel

Canaccord's business is dependent on highly skilled, and often highly specialized employees. The establishment and maintenance of relationships with clients and potential clients depends in part on individuals. Retention of IAs, investment banking, research, sales and trading professionals, and management and administrative personnel is particularly important to Canaccord.

From time to time, companies in the securities industry experience losses of investment advisors, investment banking, research, sales and trading professionals, and management and administrative personnel. The level of competition for key personnel has increased recently, particularly due to the market entry efforts of new retail brokerage operations, certain non-brokerage financial services companies and other investment banks targeting or increasing their efforts in all or some of the areas in which Canaccord operates. While Canaccord has historically experienced little turnover in professional employees, there can be no assurance that losses of key personnel, due to competition or otherwise, will not occur in the future. The loss of an investment advisor, investment banking, research or sales and trading professional, particularly any member of the senior management or other senior professional with a broad range of contacts in an industry, could materially and adversely affect Canaccord's operating results.

Canaccord expects further growth in personnel. Competition for employees with the desired qualifications is intense, especially with respect to investment banking and research professionals with expertise in industries in which corporate finance or advisory activity is robust. Competition for the recruiting and retention of employees has recently increased compensation costs, and Canaccord expects that competition will cause compensation costs to continue to rise. There can be no assurance that Canaccord will be able to recruit a sufficient number of new employees with the desired qualifications, in a timely manner and on financial terms that are acceptable to Canaccord. The failure to recruit new employees could materially and adversely affect future operating results.

Canaccord generally, except with its IAs, does not have employment agreements, although new hires sign offer letters and a variety of conduct policies. Canaccord attempts to retain employees with performance based incentives and a positive business environment. These incentives, however, may be insufficient in light of the increasing competition for experienced professionals in the securities industry, particularly if the value of Canaccord's common shares declines or fails to appreciate sufficiently to be a competitive source of a portion of professional compensation.

Management of growth

Over the past several years, Canaccord has experienced significant growth in its business activities, including the number of employees. This growth has required and will continue to require increased investment in management personnel, financial and management systems and controls and facilities, which, in the absence of continuing revenue growth, would cause Canaccord's operating margins to decline from current levels. In addition, as is common in the securities industry, Canaccord is and will continue to be highly dependent on the effective and reliable operation of its communications and information systems. Canaccord believes that its current and anticipated future growth will require implementation of new and enhanced communications and information systems and training of its personnel to operate these systems. Any difficulty or significant delay in the implementation or operation of existing or new systems or the training of personnel could adversely affect Canaccord's ability to manage growth.

As part of Canaccord's business strategy, Canaccord has acquired and may make further acquisitions of assets or businesses related to, or complementary to, its current operations. Any acquisitions will be accompanied by certain risks including exposure to unknown liabilities of acquired companies, higher than anticipated acquisition costs and expenses, the difficulty and expense of integrating operations and personnel of acquired companies, disruption of ongoing business, diversion of management's time and attention, and possible dilution to shareholders. Canaccord may not be able to successfully address these risks and other problems associated with acquisitions, which could adversely affect business.

Employee misconduct

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and Canaccord runs the risk that employee misconduct could occur. Misconduct by employees could include binding Canaccord to transactions that exceed authorized limits or present unacceptable risks, or hiding from Canaccord unauthorized or unsuccessful activities, which may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. It is not always possible to deter employee misconduct and the precautions Canaccord takes to prevent and detect this activity may not be effective in all cases.

Potential conflicts of interest

Executive officers, directors and employees of Canaccord from time to time may invest in securities of private or public companies or investment funds in which Canaccord, or an affiliate of Canaccord, is an investor or for which Canaccord carries out investment banking assignments, publishes research or acts as a market maker. There are certain risks that, as a result of such investment, a director, officer or employee may take actions that would conflict with the best interests of Canaccord.

In addition, certain of the directors of Canaccord also serve as directors of other companies involved in a wide range of industry sectors; consequently, there exists the possibility these directors could potentially be in a conflict of interest.

Control risks

As of March 31, 2007, existing senior officers and director shareholders collectively owned approximately 28.3% of the common shares. If sufficient of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could prevent Canaccord from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a tender offer or takeover bid to acquire any or all of the outstanding common shares of the Company. In addition, the single largest shareholder that management is aware of is MLI Resources Inc. – a wholly owned subsidiary of Manulife Financial Corporation – with 5.1% of the common shares. Any significant change in these shareholdings through sale or other disposition, or significant acquisitions by others of the common shares in the public market or by way of private transactions could result in a change of control and changes in business focus or practices that could affect the profitability of Canaccord's business.

Extensive regulation of the financial services industry poses a number of risks

The financial services business is subject to extensive regulation in Canada, the US, the UK and elsewhere. Compliance with many of the regulations applicable to Canaccord involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with an applicable regulation, securities regulators, the IDA, the NASD, the FSA and other authorities may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension, loss of status as a Nomad, suspension or disqualification of the investment dealer's officers or employees or other adverse consequences. The imposition of any such penalties or orders on Canaccord could have a material adverse effect on its operating results and financial condition.

The regulatory environment in which Canaccord operates is subject to change. Currently, investment dealers are the subject of greater regulatory scrutiny that has led, for example, to increased sensitivity to the interaction between research analysts and investment banking departments. As a consequence, regulators have changed and may propose to make further changes to requirements with respect to research matters. Canaccord may be adversely affected as a result of new or revised legislation, regulations or policies imposed by the securities legislation of Canada, the UK and the US.

The current environment of increased scrutiny may reasonably be expected to lead to increasingly stringent interpretation and enforcement of existing laws and rules. Canaccord may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by securities regulatory authorities in Canada, the UK and the US.

Additional regulation, changes in existing laws and rules or changes in interpretations or enforcement of existing laws and rules often affect directly the method of operation and profitability of securities firms. Canaccord cannot predict the effect any such changes might have. Furthermore, business may be materially affected not only by regulations applicable to Canaccord as a financial market intermediary, but also by regulations of general application.

For example, the volume of Canaccord's investment banking and principal investment businesses in a given time period could be affected by, among other things, existing and proposed tax legislation, competition policy and other governmental regulations and policies, including the interest rate policies of the Bank of Canada or the board of governors of the Federal Reserve System; as well as changes in interpretation or enforcement of existing laws and rules that affect the business and financial communities. The level of business and financing activity in each of the industries on which Canaccord focuses can be affected not only by such legislation, or regulations of general applicability, but also by industry-specific legislation or regulations.

Canaccord's ability to comply with all applicable laws and regulations is dependent on the creation, implementation and maintenance of effective compliance systems, policies and procedures and on its ability to hire and retain qualified compliance personnel.

Restrictions on ownership and transfer of common shares

Restrictions on ownership and transfer of common shares in the articles of Canaccord to prevent unauthorized change in control without regulatory approval, in certain cases, could affect the marketability and liquidity of the common shares.

Litigation and potential securities laws liability

Many aspects of Canaccord's business involve substantial risks of liability. An underwriter is exposed to substantial liability under securities laws, other laws and court decisions, including decisions with respect to underwriters' liability and limitations on indemnification of underwriters by issuers. For example, a firm that acts as an underwriter may be held liable for misstatements or omissions of fact in a prospectus used in connection with the securities being offered and firms may be held liable for statements made by its securities analysts or other personnel. In recent years, there has been increasing litigation involving the securities industry, including class actions that seek substantial damages. Canaccord is subject to the risk of litigation, including litigation that may be without merit. As Canaccord intends to actively defend any such litigation, significant legal expenses could be incurred. An adverse resolution of any actions or claims against Canaccord may materially affect its operating results and financial condition.

Courts and regulatory authorities are imposing higher standards of care on the provision of services to clients by investment dealers, their employees and their agents. As Canaccord's business involves offering more products in the areas of wealth management and portfolio management, more clients are delegating discretion and authority over their financial assets and affairs to Canaccord and its employees and agents. Not only are more clients utilizing such discretionary accounts but the dollar level of funds invested in such accounts is also increasing. Canaccord's business may be materially adversely affected if Canaccord and/or its employees or agents are found to have not met the appropriate standard of care or exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

The legal risks facing Canaccord also include potential liability under securities laws or through civil litigation in the event that Canaccord's IAs or employees violate investor suitability requirements, make materially false or misleading statements in relation to securities transactions, commit fraud, misuse client funds, or breach any other statute or regulatory rule or requirement.

By the very nature of Canaccord's business, it is expected that from time to time Canaccord will be subject to complaints or claims by clients in the normal course of business. There is no certainty that such claims or complaints will not be material and that any settlements, awards or legal expenses associated with defending or appealing against any decisions related to such complaints or claims will not have a material adverse effect on Canaccord's operating results or financial condition.

When Canaccord recruits IAs with existing clients from other employers, there may be existing non-competition or non-solicitation agreements and other contractual or common law obligations. The former employer may claim damages or injunctive relief against the IA or Canaccord, and Canaccord may incur expenses in awards, settlements and legal expenses.

Legal proceedings could result in substantial financial loss

Canaccord, in the normal course of business as an investment dealer, is involved in litigation and is a defendant in various legal actions. Canaccord has established accruals for matters that are probable and can be reasonably estimated. While the outcome of these actions is uncertain, management's evaluation and analysis indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial condition of Canaccord. There is no certainty, however, that there will not be an adverse resolution that would be material and cause a substantial financial loss. See Note 16 on "Commitments and contingencies" in the audited consolidated financial statements.

FINANCIAL INSTRUMENTS

In the normal course of business Canaccord utilizes certain financial instruments to manage its exposure to credit risk, market risk and foreign exchange risk as mentioned above.

ADDITIONAL INFORMATION

Additional information relating to Canaccord, including Canaccord's Annual Information Form, can be found on SEDAR's Web site at www.sedar.com.

AUDITORS' REPORT

To the Shareholders of
Canaccord Capital Inc.

We have audited the consolidated balance sheets of **Canaccord Capital Inc.** as at March 31, 2007, 2006, and 2005 and the consolidated statements of operations and retained earnings and cash flows for each of the three years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007, 2006, and 2005 and the results of its operations and its cash flows for each of the three years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

April 24, 2007,
except for Note 18, which is as of May 16, 2007.

Ernst & Young LLP

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

As at March 31 (in thousands of dollars)	**2007**	2006	2005
ASSETS			
Current			
Cash and cash equivalents	**$ 506,640**	$ 370,507	$ 349,700
Securities owned, at market [note 2]	**348,764**	203,020	160,348
Accounts receivable [notes 3, 4 and 14]	**1,672,035**	1,539,998	1,068,757
Total current assets	**2,527,439**	2,113,525	1,578,805
Equipment and leasehold improvements [note 6]	**37,549**	25,750	13,750
Notes receivable [note 7]	**–**	–	41,618
Future income taxes [note 5]	**11,021**	10,769	3,992
Goodwill and other intangible assets [notes 8 and 9]	**33,933**	27,929	–
	$ 2,609,942	$ 2,177,973	$ 1,638,165
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Call loans [note 10]	**$ –**	$ 4,684	$ –
Securities sold short, at market [note 2]	**41,176**	37,169	105,527
Accounts payable and accrued liabilities [notes 3, 4 and 14]	**2,156,540**	1,832,956	1,262,072
Income taxes payable	**15,035**	15,334	6,737
Subordinated debt [note 11]	**25,000**	–	–
Total current liabilities	**2,237,751**	1,890,143	1,374,336
Notes payable [note 7]	**–**	–	41,618
Total liabilities	**2,237,751**	1,890,143	1,415,954
Commitments and contingencies [notes 3 and 16]			
Shareholders' equity			
Share capital [note 12]	**156,296**	157,644	151,030
Cumulative foreign currency translation adjustment	**2,236**	(6,277)	(1,383)
Retained earnings	**213,659**	136,463	72,564
Total shareholders' equity	**372,191**	287,830	222,211
	$ 2,609,942	$ 2,177,973	$ 1,638,165

See accompanying notes

On behalf of the Board:

PETER M. BROWN
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

TERRENCE A. LYONS
DIRECTOR

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years ended March 31 (in thousands of dollars, except per share amounts)	**2007**	2006	2005
REVENUE			
Commission	**$ 303,672**	$ 239,461	$ 168,978
Investment banking	**350,273**	266,206	214,450
Principal trading	**31,638**	27,388	13,584
Interest	**57,908**	36,914	26,488
Other	**13,423**	13,446	9,278
	756,914	583,415	432,778
EXPENSES			
Incentive compensation	**382,897**	299,188	220,454
Salaries and benefits	**47,608**	42,019	45,715
Trading costs	**27,452**	20,615	16,863
Premises and equipment	**25,173**	15,843	11,849
Communication and technology	**21,472**	16,598	14,037
Interest	**20,538**	10,914	7,824
General and administrative	**64,182**	46,227	32,171
Amortization	**8,151**	4,817	3,185
Development costs	**21,244**	9,797	7,924
Gain on disposal of investment [note 17]	**–**	(1,633)	–
	618,717	464,385	360,022
Income before income taxes	**138,197**	119,030	72,756
Income taxes (recovery) [note 5]			
Current	**52,883**	44,657	29,142
Future	**(8,142)**	(6,777)	(4,965)
Net income for the year	**93,456**	81,150	48,579
Retained earnings, beginning of year	**136,463**	72,564	38,013
Cash dividends	**(16,260)**	(14,455)	(13,835)
Excess on redemption of common shares [note 12[iii]]	**–**	(2,796)	(193)
Retained earnings, end of year	**$ 213,659**	$ 136,463	$ 72,564
Basic earnings per share [note 12[vii]]	**$ 2.03**	$ 1.82	$ 1.17
Diluted earnings per share [note 12[vii]]	**$ 1.94**	$ 1.74	$ 1.11

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31 (in thousands of dollars)	**2007**	2006	2005
OPERATING ACTIVITIES			
Net income for the year	**$ 93,456**	$ 81,150	$ 48,579
Items not affecting cash			
Amortization	**8,151**	4,817	3,185
Future income tax recovery	**(8,142)**	(6,777)	(4,965)
Gain on disposal of investment	**–**	(1,633)	–
Issuance of shares in connection with stock compensation plans	**194**	–	–
Changes in non-cash working capital			
Decrease (increase) in securities owned	**(144,716)**	(43,851)	216,099
Increase in accounts receivable	**(96,057)**	(491,473)	(70,620)
Increase (decrease) in securities sold short	**4,011**	(68,359)	(176,196)
Increase in accounts payable and accrued liabilities	**286,796**	599,930	213,677
Increase (decrease) in income taxes payable	**(1,234)**	9,223	(10,168)
Cash provided by operating activities	**142,459**	83,027	219,591
FINANCING ACTIVITIES			
Increase (decrease) in notes payable	**–**	(41,618)	12,853
Redemption of convertible debentures	**–**	–	(20)
Increase (decrease) in subordinated debt	**25,000**	–	(10,000)
Issuance of shares for cash	**–**	6,574	71,865
Increase in unvested common share purchase loans	**(3,377)**	(14,463)	(1,415)
Redemption of share capital	**(83)**	(4,631)	(379)
Dividends paid	**(16,260)**	(14,455)	(13,835)
Cash provided by (used in) financing activities	**5,280**	(68,593)	59,069
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements	**(18,514)**	(16,630)	(4,562)
Decrease (increase) in notes receivable	**–**	41,618	(12,853)
Proceeds on disposal of investment	**–**	1,639	–
Acquisition of subsidiaries [note 8]	**–**	(15,669)	–
Cash provided by (used in) investing activities	**(18,514)**	10,958	(17,415)
Effect of foreign exchange on cash balances	**11,592**	(9,269)	(970)
Increase in cash position	**140,817**	16,123	260,275
Cash position, beginning of year	**365,823**	349,700	89,425
Cash position, end of year	**$ 506,640**	$ 365,823	$ 349,700
Cash position is comprised of:			
Cash and cash equivalents	**$ 506,640**	$ 370,507	$ 349,700
Call loans	**–**	(4,684)	–
	$ 506,640	$ 365,823	$ 349,700
Supplemental cash flow information			
Interest paid	**$ 20,371**	$ 9,495	$ 1,495
Income taxes paid	**$ 54,096**	$ 30,192	$ 37,756

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2007, 2006 and 2005 and for each of the three years ended March 31, 2007
(in thousands of dollars, except per share amounts)

Canaccord Capital Inc. (the "Company") is an independent full service investment dealer. The Company has operations in each of the two principal segments of the securities industry: private client services and capital markets. Together these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company's retail, institutional and corporate clients.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements include the accounts of the Company and its subsidiaries.

At March 31, 2007, the Company's principal operating subsidiaries, all of which are 100% owned, include:

Canaccord Capital Corporation
Canaccord Adams Limited
Canaccord International Ltd.
Canaccord Adams Inc.
Canaccord Capital Corporation (USA), Inc.
Canaccord Enermarket Ltd.
Canaccord Financial Services Ltd.
Stockwave Equities Ltd.
CLD Financial Opportunities Limited

All intercompany transactions have been eliminated.

Canadian generally accepted accounting principles

The Company follows the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1100, "*Generally Accepted Accounting Principles*". This section establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Therefore, actual results may differ from those estimates. The significant estimates include goodwill and tax losses available for carryforward.

Securities transactions

Securities transactions and related revenue and expenses and balance sheet accounts are recorded on a trade date basis.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, commercial paper and bankers' acceptances with a term to maturity of less than three months from the date of purchase.

Securities owned and securities sold short

Securities owned and sold short are recorded at market value. Unrealized gains and losses are reflected in income. Certain securities owned have been pledged as collateral for securities borrowing transactions.

Collateralized securities transactions

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions. Securities borrowed transactions require the Company to deposit cash, letters of credit or other collateral with the lender. For securities loaned, the Company receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of the securities loaned. The Company monitors the fair value of the securities borrowed and loaned against the cash collateral on a daily basis, and when appropriate, the Company may require counterparties to deposit additional collateral or it may return collateral pledged to ensure such transactions are adequately secured.

Revenue recognition

Commission revenue consists of revenue generated through traditional commission-based brokerage services, recognized on a trade date basis, and the sale of fee-based products and services, recognized on an accrual basis.

Investment banking revenue consists of underwriting fees, management and advisory fees, and commissions earned on corporate finance activities. Revenue from underwritings, mergers and acquisitions, and other corporate finance activities are recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable. Management and advisory fees are recognized on an accrual basis.

Principal trading revenue consists of income earned in connection with principal trading operations and is recognized on a trade date basis.

Interest income is recognized on an accrual basis.

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is being recorded as follows:

Computer equipment	30% declining balance basis
Furniture and equipment	20% declining balance basis
Leasehold improvements	Straight-line over the term of the respective leases

Goodwill and other intangible assets

All business combinations are accounted for using the purchase method. Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Goodwill is subject to an impairment test on an annual basis. Goodwill impairment is identified by comparing the carrying value of the reporting unit to its fair value. If the carrying value of the reporting unit exceeds its fair value, goodwill impairment is calculated based on the fair value of the assets and liabilities. Any impairment of goodwill will be recognized as an expense in the period of impairment, and subsequent reversals of impairment are prohibited.

Other intangible assets are amortized on a straight-line basis over their estimated useful life of four years and tested for impairment when events or circumstances indicate the carrying amounts may not be recoverable.

Development costs

Development costs consist of internal information systems development, expensed as incurred, and hiring incentives for new employees.

Translation of foreign currency transactions and foreign subsidiaries

The functional currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at historical rates. Revenue and expenses are translated at the average exchange rate prevailing during the period. Foreign currency translation gains and losses are included in income in the period in which they occur.

The cumulative foreign currency translation adjustment within shareholders' equity on the consolidated balance sheet relates to the unrealized foreign currency translation gains or losses of the foreign subsidiaries. Financial statements of foreign subsidiaries, all of which are self-sustaining, whose functional currency is other than the Canadian dollar, are translated into Canadian dollars using the current rate method. Under the current rate method, assets and liabilities are translated at the year end exchange rate. Revenue and expenses are translated at the average exchange rate prevailing during the period.

Income taxes

Income taxes are accounted for using the asset and liability method. Under this method future tax assets and liabilities are recognized for the tax consequences of temporary differences by applying substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities in the year of expected reversal.

The effect on future taxes for a change in tax rates is recognized in income in the period that includes the date of substantive enactment. In addition, future tax assets are recognized to the extent their realization is more likely than not.

Earnings per share

Basic earnings per share is computed by dividing the net income for the year by the weighted average number of common shares outstanding. Diluted earnings per share reflects the dilutive effect of unvested share purchase loans and earned but unvested retention shares.

Pension plan

The Company provides a defined contribution pension plan on behalf of its current employees. The defined contribution pension plan is available to certain administrative employees after a specified period of service. The Company is required to match the employees' contributions up to a certain maximum percentage of the employees' base salary. Costs of the defined contribution plan, representing the Company's required contribution, are charged to income in the year. The amount of the charge for the year was $0.7 million [2006 – $0.3 million; 2005 – $0.3 million].

The Company formerly provided a final pay defined benefit pension plan for certain administrative employees. The plan is closed and has 22 current and retired members. The plan's assets, accrued benefit obligations and related pension expense of the Company are not material.

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 straight-line basis over the vesting period. 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

In 2005, the CICA released three new accounting pronouncements related to financial instruments and hedging. The new guidance consists of three new Handbook Sections: CICA Handbook Section 3855, "*Financial Instruments – Recognition and Measurement,*" CICA Handbook Section 3865, "*Hedges*" and CICA Handbook Section 1530, "*Comprehensive Income.*" These new standards will become effective for the Company as of April 1, 2007.

Financial Instruments – Recognition and Measurement

This standard prescribes the recognition and measurement of financial instruments. All financial instruments must be classified as one of the following categories: held for trading, held to maturity, loans and receivables, and available for sale assets. The financial assets categorized as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The financial assets classified as loans and receivables and held to maturity are measured at amortized cost.

Hedges

This standard sets out the criteria of when hedge accounting is applied and how it is applied. It provides the option of designating qualifying transactions as hedges for accounting purposes. The qualifying hedging relationships include fair value hedges, cash flow hedges, and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. The changes in the fair value of the hedging derivatives will be recognized in net earnings or other comprehensive income depending on the nature of the hedging relationships. Any gains and losses resulting from any ineffectiveness in hedging relationships are recognized in net income immediately.

Comprehensive Income

This section establishes standards for the reporting and disclosure of comprehensive income in a new category, Accumulated Comprehensive Income, which will be added to shareholders' equity on the consolidated balance sheet. Comprehensive income includes all changes in equity of the Company during a period except those resulting from investments by shareholders and distributions to shareholders. The major components included in Accumulated Comprehensive Income will be unrealized gains and losses on financial assets classified as available for sale, and unrealized foreign exchange gains and losses arising on translation of the financial statements of self-sustaining foreign operations.

Impact of adoption of recent accounting pronouncements

Any financial instruments that the Company will classify as held for trading or available for sale that were not previously recorded at fair value will be recognized upon adoption of the new standards. The remeasurement adjustments arising from the initial recognition will be recorded in the opening balance of retained earnings for financial assets held for trading and in the opening balance of accumulated comprehensive income for financial assets available for sale. The transitional adjustments are not expected to be material.

2. SECURITIES OWNED AND SECURITIES SOLD SHORT

	2007		2006		2005	
	Securities owned	**Securities sold short**	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	**$ 23,786**	**$ 5,313**	$ 40,784	$ 14,319	$ 124,395	$ 82,001
Equities and convertible debentures	**324,978**	**35,863**	162,236	22,850	35,953	23,526
	$ 348,764	**$ 41,176**	$ 203,020	$ 37,169	$ 160,348	$ 105,527

As at March 31, 2007, corporate and government debt maturities range from 2007 to 2054 [March 31, 2006 – 2006 to 2053; March 31, 2005 – 2005 to 2051] and bear interest ranging from 2.75% to 11.50% [March 31, 2006 – 2.05% to 14.00%; March 31, 2005 – 2.05% to 14.00%].

3. FINANCIAL INSTRUMENTS

In the normal course of business the Company utilizes certain financial instruments to manage its exposure to credit risk, market risk, interest rate risk and foreign exchange risk.

Credit risk

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 client's accounts in accordance with limits established by the applicable regulatory authorities and are subject to the Company's credit review and daily monitoring procedures.

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 March 31, 2007, 2006 and 2005, 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.

Market risk

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses.

The Company is exposed to market risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued at market and as such changes in market value affect earnings as they occur. Market risk also arises from the possibility that changes in market prices will affect the value of the securities the Company holds as collateral for the private client margin accounts. The Company mitigates its market 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.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by the Company. The Company minimizes and monitors its exposure to interest rate risk through quantitative analysis of its net holdings positions of fixed income securities. The Company does not hedge its exposure to interest rate risk as it is minimal.

Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in losses. Foreign exchange contracts are traded periodically to manage and hedge foreign exchange risk on pending settlements in foreign currencies. Realized and unrealized gains and losses related to those contracts are recognized in income during the year.

Forward contracts outstanding at March 31, 2007:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	**$ 12.90**	**$ 1.16**	**April 30, 2007**	**$ 0.1**
To buy US dollars	**$ 2.50**	**$ 1.16**	**April 3, 2007**	**$ (0.1)**

Forward contracts outstanding at March 31, 2006:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$ 90.85	$ 1.16	April 5, 2006	$ 0.1
To buy US dollars	$ 7.00	$ 1.16	April 3, 2006	$ (0.1)

Forward contracts outstanding at March 31, 2005:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$ 22.75	$ 1.21	April 5, 2005	$ 0.1
To buy US dollars	$ 10.25	$ 1.21	April 5, 2005	$ (0.1)

Fair value of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, securities owned, accounts receivable, notes receivable, call loans, securities sold short, accounts payable and accrued liabilities, notes payable, and subordinated debt. The fair value of these financial instruments approximate their carrying values. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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. 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 March 31, 2007, the floating rates for equities and bonds were 2.96% and 4.05%, respectively [March 31, 2006 – 3.29% and 3.32%, respectively, and March 31, 2005 – 2.0% and 2.3%, respectively].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
2007	**$ 249,103**	**$ 71,598**	**$ 80,955**	**$ 256,555**
2006	$ 201,855	$ 58,422	$ 59,929	$ 202,257
2005	$ 130,359	$ 68,329	$ 70,708	$ 131,905

Lines of credit

At March 31, 2007, the Company has credit facilities with Canadian, American and United Kingdom banks in an aggregate amount of $518 million [March 31, 2006 – $339 million and March 31, 2005 – $311 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.

Canaccord Capital Corporation has provided a bank letter of credit in the amount of $1.4 million as a guarantee for lease obligations of Canaccord Adams Limited [March 31, 2006 – $1.3 million and March 31, 2005 – $1.4 million]. Canaccord Adams Inc. has also entered into irrevocable standby letters of credit from a financial institution totalling $2.7 million (US$2.3 million) [March 31, 2006 – $1.7 million (US$1.47 million)] as rent guarantees for its leased premises in Boston, New York and San Francisco. As of March 31, 2007, there were no outstanding balances under these standby letters of credit.

4. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	2007	2006	2005
Brokers and investment dealers	$ 571,461	$ 567,308	$ 353,734
Clients	694,123	607,118	406,769
RRSP cash balances held in trust	349,932	320,766	293,595
Other	56,519	44,806	14,659
	$ 1,672,035	$ 1,539,998	$ 1,068,757

Accounts payable and accrued liabilities

	2007	2006	2005
Brokers and investment dealers	$ 442,828	$ 397,733	$ 358,711
Clients	1,212,464	1,172,511	719,195
Other	501,248	262,712	184,166
	$ 2,156,540	$ 1,832,956	$ 1,262,072

Accounts payable to clients include $349.9 million [2006 – $320.8 million; 2005 – $293.6 million] due to clients for RRSP cash balances held in trust.

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 on amounts due to clients are based on a floating rate [March 31, 2007 – 8.00%–10.25% and 2.27%–3.00%, respectively; March 31, 2006 – 7.50%–9.50% and 1.5%–2.50%, respectively; and March 31, 2005 – 6.25%–7.50% and 0.45%–1.25%, respectively].

5. INCOME TAXES

Future income tax assets (liabilities) are comprised of the following:

	2007	2006	2005
Assets:			
Legal settlements	$ 1,304	$ 1,814	$ 1,656
Unpaid remuneration	4,990	1,368	849
Unamortized forgivable loans	1,903	640	614
Unamortized capital cost of equipment and leasehold improvements over their net book value	1,451	1,201	65
Unrealized stock compensation	1,191	–	–
Loss carryforwards	4,649	6,916	–
Share issuance (IPO) costs	967	1,519	2,092
Lease impairment and deferred rent	5,935	4,708	–
Other	1,135	8	–
	23,525	18,174	5,276
Liabilities:			
Unrealized gain on marketable securities	2,034	1,915	1,213
Deferred charges	604	252	71
Other intangible assets	2,219	2,085	–
Other	207	–	–
	5,064	4,252	1,284
Valuation allowance	(7,440)	(3,153)	–
Future income tax assets (liabilities)	$ 11,021	$ 10,769	$ 3,992

Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that these future income tax assets will be realized.

During the fourth quarter of 2007, the Company finalized the purchase price equation for the acquisition of Adams Harkness Financial Group, Inc. ("Adams Harkness"). The Company has included a valuation allowance against certain assets acquired at the time of acquisition with an offsetting increase to goodwill [Note 8[ii]].

Subsidiaries of the Company have accumulated US Federal and State non-capital losses for income tax purposes totalling $11.3 million [2006 – $16.3 million] and $11.3 million [2006 – $21.9 million], respectively, which are available to reduce taxable income in future years. These losses begin expiring in 2024 and 2008, respectively.

The Company's income tax expense differs from the amount that would be computed by applying the combined federal and provincial/state income tax rates as a result of the following:

	2007	2006	2005
Income taxes at the statutory rate	**$ 47,692**	$ 41,059	$ 25,024
Less: International Finance Business recovery of provincial taxes	**(1,355)**	(1,264)	(1,312)
Less: Difference in tax rates in foreign jurisdictions	**(5,411)**	(2,662)	–
Non-deductible items affecting the determination of taxable income	**3,815**	747	465
True-up of US FIT asset	**3,192**	–	–
Change in valuation allowance	**4,248**	–	–
Change in pre-acquisition valuation allowance	**(7,440)**	–	–
Income tax expense – current and future	**$ 44,741**	$ 37,880	$ 24,177

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Cost	Accumulated amortization	Net book value
2007			
Computer equipment	**$ 5,897**	**$ 3,978**	**$ 1,919**
Furniture and equipment	**24,316**	**13,318**	**10,998**
Leasehold improvements	**42,373**	**17,741**	**24,632**
	$ 72,586	**$ 35,037**	**$ 37,549**
2006			
Computer equipment	$ 4,894	$ 3,910	$ 984
Furniture and equipment	20,654	11,264	9,390
Leasehold improvements	32,114	16,738	15,376
	$ 57,662	$ 31,912	$ 25,750
2005			
Computer equipment	$ 3,084	$ 2,228	$ 856
Furniture and equipment	9,573	4,488	5,085
Leasehold improvements	20,100	12,291	7,809
	$ 32,757	$ 19,007	$ 13,750

7. IMMIGRANT INVESTOR PROGRAM OF QUEBEC

The Company sponsored an immigrant investor program that provided assistance to Canadian immigrant applicants under the investor category and to their professional consultants and advisors. Included in these services was a program that enabled immigrant investors to borrow, through a credit facility arranged by the Company, the requisite funds for making a qualifying investment for immigration purposes. The Company borrowed as notes payable the investment funds through a non-recourse bank facility, loaned the borrowed funds to the immigrant investor by way of notes receivable and then pledged the notes receivable to the lending bank as collateral for the notes payable.

Effective September 15, 2005, the Company sold a significant portion of all outstanding notes receivable under this program for total proceeds of $34.4 million and repaid all corresponding outstanding notes payable in the amount of $34.8 million for a net loss on disposition of $0.4 million.

Effective December 23, 2005, the Company irrevocably assigned the remaining outstanding notes receivable and notes payable under this program at book value of $10.0 million.

[i] Notes receivable

Interest revenue of $nil [2006 – $1.4 million; 2005 – $2.1 million] on these loans is included in Other revenue.

[ii] Notes payable

Interest expense of $nil [2006 – $1.8 million; 2005 – $2.1 million] on these loans is included in Interest expense.

8. ACQUISITIONS

[i] Enermarket Solutions Ltd.

On November 11, 2005, the Company acquired a 100% interest in Enermarket Solutions Ltd. ("Enermarket"), a property acquisition and divestiture advisory services firm focused on the Energy sector and based in Calgary, Alberta. The aggregate purchase price was $5.1 million including cash of $4.0 million (comprised of $3.1 million and a working capital adjustment of $0.9 million), $0.9 million comprised of 77,646 common shares of the Company at $11.90 per share and costs related to the acquisition of $0.2 million. The entity will operate as part of the Company's Canaccord Adams group as Canaccord Enermarket Ltd. The assets and liabilities of Enermarket have been included in the consolidated balance sheet of the Company as of November 11, 2005, and its operating results have been included in the consolidated statement of operations of the Company since that date.

In connection with the acquisition, retention payments up to a total of $0.3 million will be paid to key employees of Enermarket and its senior management. The retention payments will involve the issuance of up to 25,210 common shares of the Company over two years. In December 2006, the Company issued 10,254 common shares under this plan [Note 13].

[ii] Adams Harkness Financial Group, Inc.

On January 3, 2006, the Company acquired a 100% interest in Adams Harkness, the parent company of Adams Harkness, Inc., an institutional investment bank based in Boston, Massachusetts. The aggregate purchase price was US$21.8 million (C$25.6 million) including cash of US$8.0 million (C$9.5 million), common shares of the Company valued at US$12.0 million (C$14.1 million) comprised of 1,342,696 common shares of the Company at C$10.50 per share and costs related to the acquisition of US$1.8 million (C$2.0 million). The common shares are held in escrow to be released as to one-third per year beginning on June 30, 2006. In February 2007, the Company cancelled 6,121 common shares under an indemnity clause in the purchase agreement, reducing the total number of shares originally issued upon acquisition to 1,336,575 common shares.

On completion of the acquisition, Adams Harkness, Inc. changed its name to Canaccord Adams Inc. Canaccord Adams Inc. will operate as part of the Company's capital markets operations, which commenced operations under the global brand name of Canaccord Adams coincidental with the acquisition. The assets and liabilities of Adams Harkness have been included in the consolidated balance sheet of the Company as of January 3, 2006, and its operating results have been included in the consolidated statement of operations of the Company since that date.

In connection with the acquisition, retention payments up to an estimated total of US$10.0 million will be paid to key employees of Adams Harkness. The retention payments will involve the issuance of up to 1,118,952 common shares of the Company after a three-year vesting period. The total number of common shares to be vested is also based on revenue earned by Canaccord Adams Inc. subsequent to the date of the acquisition [Note 13].

The acquisitions were accounted for using the purchase method whereby the net assets acquired were recorded at their fair market values as of the date of acquisition. The excess of the purchase price over such fair value was recorded as goodwill. During the fourth quarter of 2007, the Company finalized the purchase price equation for the acquisition of Adams Harkness and goodwill was increased by $7,440 to reflect finalization of the fair value assessment of future income tax benefits [Note 5]. The common shares issued as part of the aggregate consideration were reduced by $23 as a result of the cancellation of 6,121 common shares under an indemnity clause in the purchase agreement. The following reflects the aggregate consideration paid and the fair value of the net assets acquired in respect of the acquisitions:

Acquisition date	Adams Harkness January 3, 2006	Enermarket November 11, 2005
Aggregate consideration		
Cash, including acquisition costs	$ 11,533	$ 4,136
Issuance of common shares	14,075	924
	$ 25,608	$ 5,060
Fair value of net assets acquired		
Cash and cash equivalents	4,542	232
Securities owned	1,063	–
Accounts receivable	23,320	677
Future income taxes	–	(321)
Equipment and leasehold improvements	2,704	124
Intangible assets apart from goodwill	4,650	1,000
Call loans	(2,559)	–
Accounts payable	(21,250)	(247)
Taxes payable	(433)	(72)
Subordinated debt	(4,113)	–
Accrued lease impairment	(8,719)	–
	(795)	1,393
Goodwill	$ 26,403	$ 3,667

9. GOODWILL AND OTHER INTANGIBLE ASSETS

	2007	2006	2005
Goodwill	**$ 30,070**	$ 22,653	$ –
Other intangible assets			
Balance at beginning of year	**5,276**	–	–
Acquisitions	**–**	5,650	–
Amortization	**1,413**	374	–
Balance at end of year	**3,863**	5,276	–
	$ 33,933	$ 27,929	$ –

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.

10. CALL LOANS

The Company borrows money primarily to facilitate the securities settlement process for both client and Company securities transactions. The call loans are collateralized by either unpaid client securities and/or securities owned by the Company. As at March 31, 2007, the Company has $nil balance outstanding [March 31, 2006 – $4,684 and March 31, 2005 – $nil]. Interest on the call loans is at a floating rate of 4.70% as at March 31, 2007 [March 31, 2006 – 4.00% and March 31, 2005 – 2.75%].

11. SUBORDINATED DEBT

	March 31, 2007	March 31, 2006	March 31, 2005
Loan payable, interest payable monthly at prime + 2% per annum, due on demand	**$ 25,000**	$ –	$ –

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

12. SHARE CAPITAL

	2007	2006	2005
Share capital			
Common shares	**$ 173,431**	$ 173,282	$ 153,061
Unvested share purchase loans	**(25,531)**	(20,577)	(2,929)
Contributed surplus	**8,396**	4,939	898
	$ 156,296	$ 157,644	$ 151,030

Share capital of Canaccord Capital Inc. 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, March 31, 2005	46,129,268	$ 153,061
Shares issued for cash	691,940	6,573
Shares issued in connection with acquisitions	1,420,342	15,023
Shares cancelled [note 12[iii]]	(414,200)	(1,375)
Balance, March 31, 2006	47,827,350	173,282
Shares issued in connection with stock compensation plan [note 13]	17,133	194
Shares cancelled [note 12[iii]]	(12,522)	(45)
Balance, March 31, 2007	**47,831,961**	**$ 173,431**

Pursuant to the Company's normal course issuer bid, as approved by the Toronto Stock Exchange, the Company purchased for cancellation 414,200 common shares during the year ended March 31, 2006, with a book value of $1.3 million for aggregate cash consideration of $4.6 million. The excess has been recorded to contributed surplus and retained earnings.

The Company has renewed its normal course issuer bid and is entitled to acquire from December 29, 2006 to December 28, 2007, up to 2,391,880 of its shares, which represents 5% of its shares outstanding as of December 20, 2006. There were no share transactions under the NCIB between December 29, 2006 and March 31, 2007.

[iii] Excess on redemption of common shares

The excess on redemption of common shares represents amounts paid to shareholders, by the Company and its subsidiaries, on redemption of their shares in excess of the book value of those shares at the time of redemption. The excess on redemption of common shares has been charged against contributed surplus and retained earnings.

	2007	2006	2005
Redemption price	**$ 83**	$ 4,631	$ 379
Book value	**45**	1,375	186
Excess on redemption of common shares	**$ 38**	$ 3,256	$ 193

[iv] 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.

[v] Distribution of acquired common shares

In December 2006, the Company repurchased 195,968 common shares for $1.9 million from departed employees as settlement of the unvested portion of forgivable loans. A total of 189,567 common shares were subsequently distributed to existing employees at market price of $18.20 per share for cash proceeds of $3.5 million. The excess on distribution of $1.6 million has been credited to contributed surplus. The Company has cancelled the remaining 6,401 common shares.

In November 2005, the Company repurchased 132,000 common shares from departed employees at cost for total cash consideration of $0.5 million. These shares were subsequently distributed to existing employees at an average market price of $14.00 per share for total cash proceeds of $1.8 million. This excess on distribution of $1.3 million has been credited to contributed surplus.

[vi] Contributed surplus

Balance, March 31, 2005	$ 898
Unvested share purchase loans	3,186
Excess on redemption of common shares [note 12[iii]]	(460)
Excess on distribution of acquired common shares [note 12[v]]	1,315
Balance, March 31, 2006	4,939
Excess on redemption of common shares [note 12[iii]]	(38)
Excess on distribution of acquired common shares [note 12[v]]	1,623
Unvested share purchase loans and stock compensation plans	1,872
Balance, March 31, 2007	**$ 8,396**

[vii] Earnings per share

	2007	2006	2005
Basic earnings per share			
Net income for the year	**$ 93,456**	$ 81,150	$ 48,579
Weighted average number of common shares (number)	**45,969,346**	44,606,134	41,634,920
Basic earnings per share	**$ 2.03**	$ 1.82	$ 1.17
Diluted earnings per share			
Net income for the year	**$ 93,456**	$ 81,150	$ 48,579
Income effect of convertible debentures	**–**	–	282
Adjusted net income for the year	**$ 93,456**	$ 81,150	$ 48,861
Weighted average number of common shares (number)	**45,969,346**	44,606,134	41,634,920
Dilutive effect of convertible debentures (number)	**–**	–	1,817,000
Dilutive effect of preferred shares (number)	**–**	–	20,420
Dilutive effect of unvested shares (number)	**1,858,842**	1,903,119	715,957
Dilutive effect of share issuance commitment (number) [note 13]	**252,343**	190,051	–
Adjusted weighted average number of common shares (number)	**48,080,531**	46,699,304	44,188,297
Diluted earnings per share	**$ 1.94**	$ 1.74	$ 1.11

13. STOCK-BASED COMPENSATION PLANS

Retention plans

As described under Notes 8[i] and 8[ii], in connection with the acquisitions of Enermarket and Adams Harkness, the Company established two retention plans.

The plan for Enermarket consists of the issuance of up to 25,210 common shares of the Company, over two years. In December 2006, the Company issued 10,254 common shares under this plan [Note 12 [ii]].

The plan for Adams Harkness 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 which 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 (953,107 common shares as of March 31, 2007). 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 12[vii]]. The Company has expensed $2,386 and $513 for the years ended March 31, 2007 and March 31, 2006. In February 2007, the Company issued 6,879 common shares to employees who have ceased their employment in circumstances where the retention plan provides for a partial vesting of the shares awarded under the plan [Note 12[ii]].

Employee Treasury Stock Purchase Plan

In August 2005, the Company established an employee treasury stock purchase plan under which the Company made a forgivable loan to an employee for the purpose of paying 40% of the aggregate purchase price of common shares of the Company issued from treasury. A repayable loan in the amount of 35% of the aggregate purchase price of the common shares was also made to the employee. In December 2006, the employee departed the Company. According to the employee treasury stock purchase plan, one-third of the number of common shares purchased utilizing the forgivable loan portion of the aggregate purchase vested on August 10, 2006, and the forgivable loan portion relating to amounts vested has been forgiven. The Company repurchased the remaining 184,517 common shares as settlement of the unvested portion of the forgivable loan. These shares were subsequently distributed to existing employees or cancelled [Note 12[v]]. The applicable number of shares under this employee treasury stock purchase plan are included in diluted common shares outstanding [Note 12[vii]].

The following table details the activity under the Company's retention plans and employee treasury stock purchase plan:

	2007	2006	2005
Number of common shares subject to the Enermarket retention plan:			
Beginning of period	**25,210**	–	–
Issued	**(10,254)**	–	–
Adjustments	**(4,702)**	–	–
Grants	**–**	25,210	–
End of period	**10,254**	25,210	–
Shares vested at end of period	**10,254**	–	–
Number of common shares subject to the Adams Harkness retention plan:			
Beginning of period	**1,046,219**	–	–
Issued	**(6,879)**		
Grants	**72,733**	1,118,952	–
Forfeitures	**(158,966)**	(72,733)	–
End of period	**953,107**	1,046,219	–
Shares vested at end of period	**–**	–	–
Number of common shares subject to the employee treasury stock purchase plan:			
Beginning of period	**276,776**	–	–
Issued	**(92,259)**	276,776	–
Buyback	**(184,517)**	–	–
End of period	**–**	276,776	–

Under the fair value method the aggregate cost of the grants made under the retention plans are estimated to be $12.0 million – $0.3 million relating to Enermarket and $11.7 million (US$10.0 million) for Adams Harkness. The costs of the retention plans have been recognized in the financial statements of the Company in accordance with the vesting terms of the respective plans.

14. 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:

	2007	2006	2005
Accounts receivable	**$ 49,694**	$ 34,582	$ 31,698
Accounts payable and accrued liabilities	**$ 85,795**	$ 88,506	$ 54,691

15. SEGMENTED INFORMATION

The Company operates in two industry segments as follows:

> Private Client Services – provides brokerage services and investment advice to retail or private clients in Canada and the United States of America.
>
> 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 United Kingdom and the United States of America.

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

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. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant inter-segment revenues.

	Private Client Services	Canaccord Adams	Corporate and Other	Total
2007				
Revenues	**$ 272,619**	**$ 449,717**	**$ 34,578**	**$ 756,914**
Expenses	**194,371**	**323,803**	**71,148**	**589,322**
Amortization	**1,648**	**3,921**	**2,582**	**8,151**
Development costs	**6,071**	**10,723**	**4,450**	**21,244**
Income (loss) before income taxes	**$ 70,529**	**$ 111,270**	**$ (43,602)**	**$ 138,197**
2006				
Revenues	$ 225,194	$ 333,666	$ 24,555	$ 583,415
Expenses	158,235	228,534	63,002	449,771
Amortization	1,439	1,910	1,468	4,817
Development costs	4,302	1,239	4,256	9,797
Income (loss) before income taxes	$ 61,218	$ 101,983	$ (44,171)	$ 119,030
2005				
Revenues	$ 178,176	$ 239,654	$ 14,948	$ 432,778
Expenses	123,619	171,849	53,445	348,913
Amortization	1,087	1,204	894	3,185
Development costs	2,798	682	4,444	7,924
Income (loss) before income taxes	$ 50,672	$ 65,919	$ (43,835)	$ 72,756

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

	2007	2006	2005
Canada			
Revenue	$ 529,906	$ 437,479	$ 316,688
Equipment and leasehold improvements	22,821	21,635	11,888
Goodwill and other intangible assets	4,334	4,584	–
United States			
Revenue	$ 81,259	$ 20,036	$ –
Equipment and leasehold improvements	4,940	2,576	–
Goodwill and other intangible assets	29,599	23,345	–
United Kingdom			
Revenue	$ 129,852	$ 125,900	$ 116,090
Equipment and leasehold improvements	9,788	1,539	1,862
Other foreign location			
Revenue	$ 15,897	$ –	$ –

16. 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:

	$
2008	21,762
2009	23,271
2010	21,988
2011	21,603
2012	19,193
Thereafter	89,594
	197,411

Contingencies

The Company, in the normal course of business as an investment dealer, is involved in litigation and as of March 31, 2007, it was a defendant in various legal actions. The Company has established accruals for matters that are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial condition of the Company. The actions described below have been commenced against the Company and, although the Company has denied the allegations and intends to vigorously defend itself in each case, the outcome of each action cannot be predicted with certainty. The amounts claimed in respect of these actions, or which could potentially be claimed, are material and, accordingly, these actions are described in these consolidated financial statements.

[i] In 2002, two actions were commenced in the Superior Court of Quebec against the Company and other defendants including another investment dealer. Both are class action proceedings in which the plaintiffs make allegations of certain wrongful trading and disclosure practices by another defendant and that the Company was negligent in respect of a private placement in 2000. The extent of the classes and the quantification of damages have not been determined.

[ii] In 2002, an action was commenced in the Ontario Superior Court of Justice against the Company and other defendants including another investment dealer. The claim makes allegations of illegal activities by two of the Company's former investment advisors who were previously employed by the other investment dealer named in the action. The claim against the Company and the other investment dealer is, among other things, that there was a failure to supervise the conduct of the investment advisors. The damages claimed in this action are $27 million. Management's analysis of the claim is that it is substantially without merit.

[iii] Since 2002, a number of actions have been commenced in the Supreme Court of British Columbia against the Company by clients of a former investment advisor. The claims alleged that unsuitable and unauthorized trades were made in the accounts of the plaintiffs by the former investment advisor and were for quantified damages in the aggregate amount of approximately $1.6 million and for other damages and amounts which have not been quantified. All the actions that were being actively prosecuted have been settled. However, the Company is aware of five actions that remain outstanding. None of these actions is being actively prosecuted.

[iv] In 2001, a wrongful dismissal action was commenced in the Ontario Superior Court of Justice against the Company. The plaintiff is seeking damages for wrongful dismissal of $4.5 million, an order requiring the Company to repurchase the shares he owned in the Company for approximately $4.3 million, other damages and amounts in the aggregate amount of an additional $2.75 million and a declaration from the court that he continues to own the shares or, in the alternative, an order requiring the Company to repurchase the shares at fair market value in an unspecified amount in excess of the amount already claimed. Prior to the commencement of the action, the applicable shares were repurchased for approximately $2.7 million. The Company has counterclaimed for losses in connection with a debenture in a private company which the Company alleges it purchased on the basis of false representations made by the plaintiff.

[v] In late 2005 and early 2006, proceedings were commenced in state court in Michigan, in the Ontario Superior Court of Justice and in the Quebec Superior Court against the Company and other defendants. All were class action proceedings in which the plaintiffs made claims against an issuer of securities under a prospectus in an initial public offering in March 2005, its directors and senior officers, its auditor, the underwriters and others. The Company had participated in the IPO underwriting syndicate for $8 million. A settlement has been agreed with counsel for the class in all three jurisdictions and has been approved by the courts in Ontario and Quebec and the action in Michigan has been dismissed.

17. GAIN ON DISPOSAL OF INVESTMENT

During the year ended March 31, 2006, the Company recognized a gain of $1.6 million from the sale of its investment in shares of the Bourse de Montreal.

18. SUBSEQUENT EVENTS

On May 16, 2007, the Board of Directors declared a common share dividend of $0.10 per share payable on June 8, 2007, with a record date of June 1, 2007.

On May 16, 2007, the Board of Directors approved stock options to five independent directors. Each of the directors has been granted the option to purchase up to 25,000 common shares of the Company under specified terms.

SUPPLEMENTAL INFORMATION

FINANCIAL HIGHLIGHTS

For the year ended and as of March 31 (C$ thousands, except for assets under management, assets under administration, common share information, and financial ratios)	**2007**	2006	2005	2004	2003	2002
Financial results						
Revenue	**$ 756,914**	$ 583,415	$ 432,778	$ 402,157	$ 199,206	$ 170,433
Expenses	**618,717**	464,385	360,022	339,600	204,744	199,528
Income taxes	**44,741**	37,880	24,177	22,128	(485)	(11,015)
Net income (loss)	**93,456**	81,150	48,579	40,429	(5,053)	(18,080)
Business segment						
Income (loss) before income taxes						
Private Client Services	**70,529**	61,218	50,672	57,345	14,634	8,982
Canaccord Adams (1)	**111,270**	101,983	65,919	57,268	7,008	(3,940)
Corporate and Other	**(43,602)**	(44,171)	(43,835)	(52,056)	(27,180)	(34,137)
Geographic segment						
Income (loss) before income taxes						
Canada (2)	**98,632**	73,937	42,330	46,643	(3,262)	(26,415)
UK and Other Foreign Location (3)	**42,609**	41,937	30,426	15,914	(2,276)	(2,680)
US (4)	**(3,044)**	3,156	–	–	–	–
Client assets information ($ millions)						
Assets under management	**652**	613	380	237	104	51
Assets under administration	**15,014**	14,310	9,967	8,292	5,037	4,978
Common share information						
Per share ($)						
Basic earnings (loss)	**2.03**	1.82	1.17	1.43	(0.18)	(0.71)
Diluted earnings (loss)	**1.94**	1.74	1.11	1.12	(0.18)	(0.71)
Book value per diluted share (5)	**7.74**	5.99	4.82	2.59	1.84	n.m.
Share price ($)						
High	**27.50**	21.25	11.10	–	–	–
Low	**15.80**	9.00	7.96	–	–	–
Close	**22.12**	20.80	10.48	–	–	–
Shares outstanding (thousands)						
Basic	**45,973**	45,746	45,413	29,983	27,956	n.m.
Basic plus unvested	**47,832**	47,827	46,129	38,089	28,589	n.m.
Diluted	**48,084**	47,827	46,129	38,089	28,589	n.m.
Average basic	**45,969**	44,606	41,635	28,298	27,805	25,389
Average diluted	**48,081**	46,699	44,188	37,096	27,805	25,389
Market capitalization (thousands)	**1,063,625**	998,762	483,435	n.m.	n.m.	n.m.
Financial measures						
Dividends per share	**$ 0.36**	$ 0.28	$ 0.26	$ –	$ –	$ –
Special distributions per share (6)	**–**	–	0.15	–	–	–
Dividend yield (closing share price) (6)	**1.6%**	1.3%	2.5%	–	–	–
Dividend payout ratio (6)	**18.5%**	16.2%	24.7%	–	–	–
Total shareholder return (7)	**8.3%**	103.4%	5.5%	–	–	–
Annualized ROE / ROCE (10)	**28.4%**	33.6%	23.9%	43.5%	(7.5%)	(28.3%)
Price to earnings multiple (8)	**11.4**	12.0	9.5	–	–	–
Price to book ratio (9)	**2.9**	3.5	2.2	–	–	–

(1) Includes the global capital markets division of Canaccord Capital Corporation in Canada; Canaccord Adams Limited in the UK; and Canaccord Adams Inc. and Canaccord Capital Corporation (USA), Inc. in the US.
(2) Canada geographic segment includes operations for Private Client Services, Canaccord Adams (a division of Canaccord Capital Corporation), and Corporate and Other business segments.
(3) Canaccord's UK operations include activities related to Canaccord Adams Limited, engaged in capital markets activities in the United Kingdom. Revenue derived from capital markets activity outside of Canada, the US and the UK is reported as Other Foreign Location, which includes operations for Canaccord International Ltd.
(4) Canaccord's US operations include activities related to US Private Client Services, delivered through Canaccord Capital Corporation (USA), Inc., and US capital markets operations, delivered through Canaccord Adams Inc. US Other operations, also delivered through Canaccord Capital Corporation (USA), Inc., include revenue and expenses not specifically allocable to US Private Client Services and US Canaccord Adams.
(5) Book value per diluted share is calculated as total shareholders' equity less redeemable preferred shares divided by the number of diluted shares outstanding at the end of the period.
(6) Special distributions per share are not included in the dividend yield and dividend payout ratio calculations.
(7) Total shareholder return is calculated as the change in share price including the effects of reinvestment of dividends and special distributions on their payment dates.
(8) The price to earnings multiple is calculated based on the end of period share price and 12-month trailing diluted EPS.
(9) The price to book ratio is calculated based on the end of period share price and book value per diluted share.
(10) Capital employed is a non-GAAP measure of capital used prior to June 30, 2004. When comparing ROE to results up to June 30, 2004, management uses return on average capital employed (ROCE). Capital employed was capital in the business, which included shareholders' equity and convertible debentures. On June 30, 2004, the debentures were converted to share capital. ROCE is net income divided by average capital employed during the period, expressed as a percentage.
n.m.: not meaningful
Advisory note: This supplementary information is not audited and should be read in conjunction with the financial statements contained herein.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the year ended March 31 (C$ thousands, except per share amounts and financial measures)	**2007**	2006	2005	2004	2003	2002
Revenue						
Commission	**$ 303,672**	$ 239,461	$ 168,978	$ 162,242	$ 95,287	$ 91,505
Investment banking	**350,273**	266,206	214,450	188,001	65,774	47,510
Principal trading	**31,638**	27,388	13,584	27,513	15,030	13,369
Interest	**57,908**	36,914	26,488	15,853	16,408	13,012
Other	**13,423**	13,446	9,278	8,548	6,707	5,037
	$ 756,914	$ 583,415	$ 432,778	$ 402,157	$ 199,206	$ 170,433
Expenses						
Incentive compensation [1]	**$ 382,897**	$ 299,188	$ 220,454	$ 218,802	$ 92,594	$ 78,428
Salaries and benefits	**47,608**	42,019	45,715	37,193	35,661	32,147
Trading costs	**27,452**	20,615	16,863	17,310	15,343	9,621
Premises and equipment	**25,173**	15,843	11,849	13,017	12,089	12,616
Communication and technology	**21,472**	16,598	14,037	12,290	12,984	11,650
Interest	**20,538**	10,914	7,824	3,994	3,239	4,116
General and administrative	**64,182**	46,227	32,171	24,874	20,555	18,175
Amortization	**8,151**	4,817	3,185	3,565	3,898	3,982
Development costs	**21,244**	9,797	7,924	8,240	4,137	4,443
Restructuring and other costs	**–**	–	–	315	8,505	22,753
Discretionary payouts	**–**	–	–	–	–	1,597
Gain on disposal of investments and claims	**–**	(1,633)	–	–	(4,261)	–
	618,717	464,385	360,022	339,600	204,744	199,528
Income (loss) before income taxes	**138,197**	119,030	72,756	62,557	(5,538)	(29,095)
Income taxes	**44,741**	37,880	24,177	22,128	(485)	(11,015)
Net income (loss) for the year	**$ 93,456**	$ 81,150	$ 48,579	$ 40,429	$ (5,053)	$ (18,080)
Retained earnings, beginning of year	**136,463**	72,564	38,013	2,352	9,066	28,240
Dividends						
Stock dividend	**–**	–	–	(1,357)	–	–
Cash dividend	**(16,260)**	(14,455)	(13,835)	–	–	–
Excess on redemption of common shares	**–**	(2,796)	(193)	(3,411)	(1,661)	(1,094)
Retained earnings, end of year	**$ 213,659**	$ 136,463	$ 72,564	$ 38,013	$ 2,352	$ 9,066
Incentive compensation expense as % of revenue	**50.6%**	51.3%	50.9%	54.4%	46.5%	46.0%
Total compensation expenses as % of revenue [2]	**56.9%**	58.5%	61.5%	63.6%	64.4%	64.9%
Non-compensation expenses as % of revenue	**24.8%**	21.1%	21.7%	20.8%	38.4%	52.2%
Total expenses as % of revenue	**81.7%**	79.6%	83.2%	84.4%	102.8%	117.1%
Pre-tax profit margin	**18.3%**	20.4%	16.8%	15.6%	(2.8)%	(17.1)%
Effective tax rate	**32.4%**	31.8%	33.2%	35.4%	8.8%	37.9%
Net profit margin	**12.3%**	13.9%	11.2%	10.1%	(2.5)%	(10.6)%
Basic earnings (loss) per share	**$ 2.03**	$ 1.82	$ 1.17	$ 1.43	$ (0.18)	$ (0.71)
Diluted earnings (loss) per share	**1.94**	1.74	1.11	1.12	(0.18)	(0.71)
Book value per diluted share [3]	**7.74**	5.99	4.82	2.59	1.84	n.m.
Supplementary segment revenue information						
Private Client Services (PCS)	**$ 272,619**	$ 225,194	$ 178,176	$ 175,983	$ 97,784	$ 90,534
Canaccord Adams	**449,717**	333,666	239,654	211,758	91,629	72,264
Corporate and Other	**34,578**	24,555	14,948	14,416	9,793	7,635
	$ 756,914	$ 583,415	$ 432,778	$ 402,157	$ 199,206	$ 170,433

(1) Incentive compensation includes National Insurance Tax applicable to the UK and is based on a percentage of incentive compensation payout.
(2) Total compensation expense includes incentive compensation and salaries and benefits, but excludes hiring incentives and development group salary and benefits, which are included in development costs.
(3) Book value per diluted share is calculated as total shareholders' equity plus unvested share purchase loans less contributed surplus relating to unvested share purchase loans, divided by the number of diluted shares outstanding at the end of the period.
n.m.: not meaningful

CONDENSED CONSOLIDATED BALANCE SHEETS

As at March 31 (C$ thousands)	**2007**	2006	2005	2004	2003	2002
Assets						
Cash and cash equivalents	**$ 506,640**	$ 370,507	$ 349,700	$ 91,966	$ 100,024	$ 23,697
Securities owned, at market	**348,764**	203,020	160,348	376,447	136,073	89,608
Accounts receivable (1)	**1,672,035**	1,539,998	1,068,757	998,815	560,927	639,243
Income taxes recoverable	**–**	–	–	–	558	8,581
Equipment and leasehold improvements	**37,549**	25,750	13,750	12,373	12,027	14,151
Notes receivable	**–**	–	41,618	28,765	17,393	5,614
Future income taxes	**11,021**	10,769	3,992	–	3,735	2,327
Goodwill and other intangibles	**33,933**	27,929	–	–	–	–
	$ 2,609,942	$ 2,177,973	$ 1,638,165	$ 1,508,366	$ 830,737	$ 783,221
Liabilities and shareholders' equity						
Call loans	**$ –**	$ 4,684	$ –	$ 2,541	$ –	$ 1,924
Securities sold short, at market	**41,176**	37,169	105,527	281,723	85,373	31,645
Accounts payable and accrued liabilities	**2,156,540**	1,832,956	1,262,072	1,048,395	644,043	662,724
Income taxes payable	**15,035**	15,334	6,737	16,905	–	–
Future income taxes	**–**	–	–	973	–	–
Notes payable	**–**	–	41,618	28,765	17,393	8,446
Convertible debentures (2)	**–**	–	–	20,377	21,225	11,225
Subordinated debt (2)	**25,000**	–	–	10,000	10,000	17,000
Shareholders' equity (2)	**372,191**	287,830	222,211	98,687	52,703	50,257
	$ 2,609,942	$ 2,177,973	$ 1,638,165	$ 1,508,366	$ 830,737	$ 783,221

(1) In fiscal 2006, deferred charges have been combined with accounts receivable. Figures for previous periods have been reclassified.
(2) As discussed in Note 1 of the audited financial statements, the Company adopted the requirements of CICA Handbook Section 1100 in which convertible debentures and subordinated debt are classified as liabilities. These consolidated financial statements have been adjusted to reflect the reclassification of these items as liabilities from the capital section of the balance sheet.

MISCELLANEOUS OPERATIONAL STATISTICS

As at March 31	**2007**	2006	2005	2004	2003	2002
Number of employees in Canada						
Number in Private Client Services	**728**	689	657	623	628	623
Number in Canaccord Adams	**246**	233	209	185	197	187
Number in Corporate and Other	**360**	335	324	296	277	259
Total Canada	**1,334**	1,257	1,190	1,104	1,102	1,069
Number of employees in UK						
Number in Canaccord Adams	**93**	81	70	52	50	48
Number of employees in US						
Number in Canaccord Adams	**163**	150	–	–	–	–
Number of employees firm wide	**1,590**	1,488	1,260	1,156	1,152	1,117
Number of Investment Advisors (1)	**439**	430	412	391	399	398
Number of licenced professionals	**817**	763	710	675	668	n.m.
Number of PCS clients	**156,003**	155,404	144,451	138,142	131,584	149,360
Assets under management ($ millions)	**$ 652**	$ 613	$ 380	$ 237	$ 104	$ 51
Assets under administration ($ millions)	**15,014**	14,310	9,967	8,292	5,037	4,978
AUA per Investment Advisor ($ millions) (1)	**34**	33	24	21	13	13
Number of companies with Canaccord Adams Limited as Broker						
London Stock Exchange (LSE)	**1**	1	6	5	5	3
Alternative Investment Market (AIM)	**58**	53	51	31	16	6
Total Broker	**59**	54	57	36	21	9
Number of companies with Canaccord Adams Limited as Financial Adviser / Nomad (2)						
LSE	**–**	1	4	3	3	1
AIM	**50**	49	47	24	10	3
Total Financial Advisers / Nomad	**50**	50	51	27	13	4

(1) Investment Advisors (IAs) on long term disability and non-registrants are excluded from the total count. Historical statistics have been reclassified accordingly.
(2) A company listed on AIM is required to retain a Nominated Adviser (commonly referred to as a Nomad) during the company's life on the market. Nominated Advisers are responsible, amongst other duties, for warranting that a company is appropriate for joining AIM. The Nomad is similar to a Financial Adviser on the LSE, but is specific to AIM.
n.m.: not meaningful

QUARTERLY FINANCIAL HIGHLIGHTS

(C$ thousands, except for assets under management, assets under administration, common share information, and financial ratios)	**Fiscal 2007**				Fiscal 2006			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Financial results								
Revenue	**$216,443**	**$178,313**	**$156,031**	**$206,127**	$ 207,074	$ 158,670	$ 118,654	$ 99,017
Expenses	**176,307**	**144,677**	**130,781**	**166,952**	163,619	122,772	94,407	83,587
Income taxes	**14,120**	**9,944**	**7,444**	**13,233**	13,385	11,650	8,493	4,352
Net income	**26,016**	**23,692**	**17,806**	**25,942**	30,070	24,248	15,754	11,078
Business segment								
Income before income taxes								
Private Client Services	**20,527**	**18,653**	**14,280**	**17,069**	22,437	14,842	15,329	8,610
Canaccord Adams (1)	**29,246**	**26,110**	**22,330**	**33,584**	34,801	33,533	18,656	14,993
Corporate and Other	**(9,637)**	**(11,127)**	**(11,360)**	**(11,478)**	(13,783)	(12,477)	(9,738)	(8,173)
Geographic segment								
Income before income taxes								
Canada (2)	**34,804**	**27,748**	**15,706**	**20,374**	25,956	20,004	19,474	8,503
UK and Other Foreign Location (3)	**8,455**	**7,520**	**10,021**	**16,613**	14,343	15,894	4,773	6,927
US (4)	**(3,123)**	**(1,632)**	**(477)**	**2,188**	3,156	–	–	–
Client assets ($ millions)								
Assets under management	**652**	**696**	**670**	**649**	613	528	475	410
Assets under administration	**15,014**	**14,121**	**13,826**	**13,942**	14,310	12,183	11,495	9,954
Common share information								
Per share ($)								
Basic earnings	**0.57**	**0.51**	**0.39**	**0.57**	0.66	0.55	0.35	0.24
Diluted earnings	**0.54**	**0.49**	**0.37**	**0.54**	0.63	0.52	0.34	0.24
Book value per diluted share (5)	**7.74**	**7.39**	**6.82**	**6.49**	5.99	5.29	4.82	4.91
Share price ($)								
High	**22.64**	**19.78**	**20.60**	**27.50**	21.25	15.80	12.90	10.65
Low	**16.70**	**15.80**	**16.74**	**16.25**	14.35	10.96	9.10	9.00
Close	**22.12**	**18.60**	**17.10**	**17.72**	20.80	14.89	11.68	9.15
Shares outstanding (thousands)								
Basic	**45,973**	**46,321**	**46,200**	**45,906**	45,746	44,432	44,190	45,413
Basic plus unvested	**47,832**	**47,831**	**47,827**	**47,827**	47,827	46,485	46,407	46,116
Diluted	**48,084**	**48,046**	**47,992**	**47,951**	48,017	46,485	46,407	46,116
Average basic	**45,971**	**46,274**	**46,153**	**45,906**	45,716	44,385	44,479	45,426
Average diluted	**48,082**	**48,046**	**47,962**	**47,998**	47,846	46,438	46,403	46,129
Market capitalization (thousands)	**1,063,625**	**893,651**	**820,665**	**849,684**	994,809	692,156	542,034	421,964
Financial measures								
Dividends per share	**$ 0.10**	**$ 0.10**	**$ 0.08**	**$ 0.08**	$ 0.08	$ 0.08	$ 0.06	$ 0.06
Dividend yield (closing share price) (6)	**1.8%**	**2.2%**	**1.9%**	**1.8%**	1.5%	2.1%	2.1%	2.6%
Dividend payout ratio (6)	**18.5%**	**20.3%**	**21.6%**	**14.8%**	12.8%	15.3%	17.7%	25.0%
Total shareholder return (7)	**19.5%**	**9.2%**	**(3.1)%**	**(14.4)%**	40.3%	28.0%	28.3%	(11.7)%
Annualized ROE / ROCE	**29.0%**	**27.6%**	**22.1%**	**34.7%**	45.7%	41.0%	27.8%	19.8%
Price to earnings multiple (8)	**11.4**	**9.2**	**8.3**	**8.7**	12.0	10.1	8.8	8.2
Price to book ratio (9)	**2.9**	**2.5**	**2.5**	**2.7**	3.5	2.8	2.4	1.9

(1) Includes the global capital markets division of Canaccord Capital Corporation in Canada; Canaccord Adams Limited in the UK; Canaccord Adams Inc.; Canaccord Capital Corporation (USA), Inc. in the US.

(2) Canada geographic segment includes operations for Private Client Services, Canaccord Adams (a division of Canaccord Capital Corporation), and Corporate and Other business segments.

(3) Canaccord's UK operations include activities related to Canaccord Adams Limited, engaged in capital markets activities in the United Kingdom. Revenue derived from capital markets activity outside of Canada, the US and the UK is reported as Other Foreign Location, which includes operations for Canaccord International Ltd.

(4) Canaccord's US operations include activities related to US Private Client Services, delivered through Canaccord Capital Corporation (USA), Inc., and US capital markets operations, delivered through Canaccord Adams Inc. US Other operations, also delivered through Canaccord Capital Corporation (USA), Inc., include revenue and expenses not specifically allocable to US Private Client Services and US Canaccord Adams.

(5) Book value per diluted share is calculated as total shareholders' equity less redeemable preferred shares divided by the number of diluted shares outstanding at the end of the period.

(6) Special distributions per share are not included in the dividend yield and dividend payout ratio calculations.

(7) Total shareholder return is calculated as the change in share price including the effects of reinvestment of dividends and special distributions on their payment dates.

(8) The price to earnings multiple is calculated based on the end of period share price and 12-month trailing diluted EPS.

(9) The price to book ratio is calculated based on the end of period share price and book value per diluted share.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(C$ thousands, except per share amounts and financial measures)	Fiscal 2007				Fiscal 2006			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue								
Commission	**$ 87,682**	**$ 74,380**	**$ 63,556**	**$ 78,054**	$ 88,846	$ 56,701	$ 53,103	$ 40,811
Investment banking	**99,138**	**78,177**	**70,118**	**102,840**	87,977	84,425	44,299	49,505
Principal trading	**9,429**	**9,035**	**5,390**	**7,784**	13,677	6,176	9,276	(1,741)
Interest	**15,656**	**14,355**	**14,259**	**13,638**	11,424	8,886	8,361	8,243
Other	**4,538**	**2,366**	**2,708**	**3,811**	5,150	2,482	3,615	2,199
	$216,443	**$178,313**	**$156,031**	**$206,127**	$ 207,074	$ 158,670	$ 118,654	$ 99,017
Expenses								
Incentive compensation (1)	**$113,502**	**$ 89,466**	**$ 74,974**	**$104,955**	$ 108,296	$ 82,662	$ 59,580	$ 48,650
Salaries and benefits	**12,862**	**11,610**	**10,643**	**12,493**	13,716	9,668	9,409	9,226
Trading costs	**6,718**	**6,056**	**6,119**	**8,559**	7,615	4,441	4,247	4,312
Premises and equipment	**7,612**	**5,810**	**5,814**	**5,937**	5,068	4,082	3,067	3,626
Communication and technology	**5,670**	**5,352**	**5,387**	**5,063**	5,087	4,023	3,798	3,690
Interest	**5,228**	**4,926**	**5,402**	**4,982**	3,577	2,441	2,405	2,491
General and administrative	**16,375**	**14,413**	**14,287**	**19,107**	14,726	12,422	9,063	10,016
Amortization	**1,999**	**1,797**	**2,366**	**1,989**	1,969	930	800	1,118
Development costs	**6,341**	**5,247**	**5,789**	**3,867**	3,565	2,103	2,038	2,091
Gain on disposal of investments and claims	**–**	**–**	**–**	**–**	–	–	–	(1,633)
	176,307	**144,677**	**130,781**	**166,952**	163,619	122,772	94,407	83,587
Income before income taxes	**40,136**	**33,636**	**25,250**	**39,175**	43,455	35,898	24,247	15,430
Income taxes	**14,120**	**9,944**	**7,444**	**13,233**	13,385	11,650	8,493	4,352
Net income for the period	**$ 26,016**	**$ 23,692**	**$ 17,806**	**$ 25,942**	$ 30,070	$ 24,248	$ 15,754	$ 11,078
Incentive compensation expense as % of revenue	**52.4%**	**50.2%**	**48.1%**	**50.9%**	52.3%	52.1%	50.2%	49.1%
Total compensation expenses as % of revenue (2)	**58.4%**	**56.7%**	**54.9%**	**57.0%**	58.9%	58.2%	58.1%	58.5%
Non-compensation expenses as % of revenue	**23.1%**	**24.4%**	**28.9%**	**24.0%**	20.1%	19.2%	21.5%	25.9%
Total expenses as % of revenue	**81.5%**	**81.1%**	**83.8%**	**81.0%**	79.0%	77.4%	79.6%	84.4%
Pre-tax profit margin	**18.5%**	**18.9%**	**16.2%**	**19.0%**	21.0%	22.6%	20.4%	15.6%
Effective tax rate	**35.2%**	**29.6%**	**29.5%**	**33.8%**	30.8%	32.5%	35.0%	28.2%
Net profit margin	**12.0%**	**13.3%**	**11.4%**	**12.6%**	14.5%	15.3%	13.3%	11.2%
Basic earnings per share	**$ 0.57**	**$ 0.51**	**$ 0.39**	**$ 0.57**	$ 0.66	$ 0.55	$ 0.35	$ 0.24
Diluted earnings per share	**0.54**	**0.49**	**0.37**	**0.54**	0.63	0.52	0.34	0.24
Book value per diluted share (3)	**7.74**	**7.39**	**6.82**	**6.49**	5.99	5.29	4.82	4.91
Supplementary segment revenue information								
Private Client Services (PCS)	**$ 75,876**	**$ 68,831**	**$ 55,626**	**$ 72,286**	$ 78,422	$ 54,731	$ 52,411	$ 39,630
Canaccord Adams	**130,151**	**101,427**	**93,033**	**125,106**	120,243	98,918	60,048	54,457
Corporate and Other	**10,416**	**8,055**	**7,372**	**8,735**	8,409	5,021	6,195	4,930
	$216,443	**$178,313**	**$156,031**	**$206,127**	$ 207,074	$ 158,670	$ 118,654	$ 99,017

(1) Incentive compensation includes National Insurance Tax applicable to the UK and is based on a percentage of incentive compensation payout.

(2) Total compensation expense includes incentive compensation and salaries and benefits, but excludes hiring incentives and development group salary and benefits, which are included in development costs.

(3) Book value per diluted share is calculated as total shareholders' equity less redeemable preferred shares divided by the number of diluted shares outstanding at the end of the period.

CONDENSED CONSOLIDATED BALANCE SHEET

(C$ thousands)	Fiscal 2007 Q4	Fiscal 2007 Q3	Fiscal 2007 Q2	Fiscal 2007 Q1	Fiscal 2006 Q4	Fiscal 2006 Q3	Fiscal 2006 Q2	Fiscal 2006 Q1
Assets								
Cash and cash equivalents	**$ 506,640**	**$ 371,525**	**$ 315,883**	**$ 376,986**	$ 370,507	$ 241,380	$ 223,914	$ 282,485
Securities owned, at market	**348,764**	**146,030**	**119,809**	**194,061**	203,020	218,459	157,334	122,745
Accounts receivable (1)	**1,672,035**	**1,204,371**	**1,163,218**	**1,154,454**	1,539,998	1,091,147	1,139,248	855,730
Income taxes recoverable	**–**	**–**	**–**	**–**	–	–	–	1,222
Equipment and leasehold improvements	**37,549**	**33,566**	**26,527**	**24,449**	25,750	22,483	15,937	14,131
Notes receivable	**–**	**–**	**–**	**–**	–	–	10,023	42,731
Future income taxes	**11,021**	**11,782**	**12,754**	**11,872**	10,769	2,750	3,557	4,109
Goodwill and other intangibles	**33,933**	**26,869**	**27,222**	**27,575**	27,929	4,203	–	–
	$2,609,942	**$1,794,143**	**$1,665,413**	**$1,789,397**	$2,177,973	$1,580,422	$1,550,013	$1,323,153
Liabilities and shareholders' equity								
Call loans	**$ –**	**$ –**	**$ –**	**$ 556**	$ 4,684	$ 345	$ –	$ 819
Securities sold short, at market	**41,176**	**54,467**	**25,926**	**109,923**	37,169	132,481	59,602	49,180
Accounts payable and accrued liabilities	**2,156,540**	**1,380,767**	**1,311,248**	**1,359,198**	1,832,956	1,193,863	1,254,396	1,003,765
Income taxes payable	**15,035**	**3,681**	**1,150**	**8,522**	15,334	7,638	2,374	–
Notes payable	**–**	**–**	**–**	**–**	–	–	10,023	42,731
Subordinated debt (2)	**25,000**	**–**	**–**	**–**	–	–	–	–
Shareholders' equity (2)	**372,191**	**355,228**	**327,089**	**311,198**	287,830	246,095	223,618	226,658
	$2,609,942	**$1,794,143**	**$1,665,413**	**$1,789,397**	$2,177,973	$1,580,422	$1,550,013	$1,323,153

(1) In fiscal 2006, deferred charges have been combined with accounts receivable. Figures for previous periods have been reclassified.

(2) As discussed in Note 1 of the audited financial statements, the Company adopted the requirements of CICA Handbook Section 1100 in which convertible debentures and subordinated debt are classified as liabilities. These consolidated financial statements have been adjusted to reflect the reclassification of these items as liabilities from the capital section of the balance sheet.

MISCELLANEOUS OPERATIONAL STATISTICS

	Fiscal 2007 Q4	Fiscal 2007 Q3	Fiscal 2007 Q2	Fiscal 2007 Q1	Fiscal 2006 Q4	Fiscal 2006 Q3	Fiscal 2006 Q2	Fiscal 2006 Q1
Number of employees in Canada								
Number in Private Client Services	**728**	**725**	**719**	**710**	689	687	663	667
Number in Canaccord Adams	**246**	**237**	**241**	**239**	233	220	213	220
Number in Corporate and Other	**360**	**348**	**349**	**343**	335	337	336	328
Total Canada	**1,334**	**1,310**	**1,309**	**1,292**	1,257	1,244	1,212	1,215
Number of employees in UK								
Number in Canaccord Adams	**93**	**95**	**89**	**88**	81	76	70	73
Number of employees in US								
Number in Canaccord Adams	**163**	**170**	**164**	**154**	150	–	–	–
Number of employees firm wide	**1,590**	**1,575**	**1,562**	**1,534**	1,488	1,320	1,282	1,288
Number of Investment Advisors (1)	**439**	**432**	**434**	**430**	430	433	425	418
Number of licenced professionals	**817**	**797**	**790**	**775**	763	759	727	720
Number of PCS clients	**156,003**	**160,793**	**158,866**	**156,828**	155,404	152,105	147,930	145,336
Assets under management ($ millions)	**$ 652**	**$ 696**	**$ 670**	**$ 649**	$ 613	$ 528	$ 475	$ 410
Assets under administration ($ millions)	**15,014**	**14,121**	**13,826**	**13,942**	14,310	12,183	11,495	9,954
AUA per investment advisor ($ millions) (1)	**34**	**33**	**32**	**32**	33	28	27	24
Number of companies with Canaccord Adams Limited as Broker								
London Stock Exchange (LSE)	**1**	**2**	**2**	**1**	1	2	2	5
Alternative Investment Market (AIM)	**58**	**60**	**60**	**61**	53	49	51	50
Total Broker	**59**	**62**	**62**	**62**	54	51	53	55
Number of companies with Canaccord Adams Limited as Financial Adviser / Nomad (2)								
LSE	**–**	**1**	**1**	**1**	1	2	2	4
AIM	**50**	**51**	**52**	**55**	49	46	46	45
Total Financial Advisers / Nomad	**50**	**52**	**53**	**56**	50	47	48	50

(1) Investment Advisors (IAs) on long term disability and non-registrants are excluded from the total count. Historical statistics have been reclassified accordingly.

(2) A company listed on AIM is required to retain a Nominated Adviser (commonly referred to as a Nomad) during the company's life on the market. Nominated Advisers are responsible, amongst other duties, for warranting that a company is appropriate for joining AIM. The Nomad is similar to a Financial Adviser on the LSE, but is specific to AIM.

GLOSSARY

Accretive
Increased earnings per share from an acquisition after costs of the transaction and impact of the dilutive effect of the issuance of shares required for the purchase are considered.

Alternative Investment Market (AIM)
Junior arm of the London Stock Exchange (LSE), providing a global market for smaller, growing companies.

Assets under administration (AUA)
AUA is the market value of client assets administered by Canaccord, for 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. Management uses this measure to assess operational performance of the Private Client Services business segment.

Assets under management (AUM)
AUM are assets that are beneficially owned by clients and discretionarily managed by Canaccord as part of our *Independence Accounts* program. Services provided include the selection of investments and the provision of investment advice. AUM is also administered by Canaccord and is therefore included in AUA.

Book value per common share
Per share common equity calculated by subtracting liabilities from assets and dividing by outstanding number of shares.

Capital employed
A non-GAAP measure of capital: the aggregate of share capital, convertible debentures, cumulative foreign currency translation adjustments and retained earnings.

Common equity
Also referred to as common shares, are, as the name implies, the most usual and commonly held form of stock in a corporation. Dividends paid to the stockholders must be paid to preferred shares before being paid to common stock shareholders.

Correspondent brokerage services
The provision of secure administrative, trade execution and research services to other brokerage firms through the Company's existing technology and operations infrastructure (Pinnacle).

Dilution
The change in earnings and book value per share resulting from the exercise of all warrants and options and conversion of convertible securities.

Earnings per share (EPS), diluted
Net income divided by the average number of shares outstanding adjusted for the dilutive effects of stock options and other convertible securities.

Employee Stock Incentive Plan (ESIP)
This stock purchase plan is aimed primarily at key capital markets employees who did not have a significant ownership position in the Company prior to its implementation.

Employee Stock Purchase Plan (ESPP)
Voluntary plan that provides eligible employees with the ability to purchase shares in the Company through payroll deductions, with an additional contribution by the Company.

Employee Treasury Stock Purchase Plan
Hiring plan under which the Company made a forgivable loan to an employee for the purpose of paying 40% of the aggregate purchase price of common shares of the Company issued from treasury. A repayable loan in the amount of 35% of the aggregate purchase price of the common shares was also made to the employee.

Escrowed securities
Common shares in the Company issued prior to the IPO, which are subject to specific terms of release.

Fixed income trading
Trading in new issues, government and corporate bonds, treasury bills, commercial paper, strip bonds, high yield debt and convertible debentures.

Forgivable stock purchase loan program
Forgivable loans, generally amortized over three years, granted by the Company to new employees for the purchase of CCI stock.

Institutional sales and trading
A capital markets business segment providing market information and research, advice and trade execution to institutional clients.

International Financial Centre Vancouver
Membership provides certain tax and financial benefits, reducing the overall corporate tax rate, pursuant to British Columbia legislation.

International trading
Executing trades in Canadian securities on behalf of US brokerage firms and trading in US equities on behalf of Canadian clients.

Investment banking
Assisting public and private businesses and governments to obtain financing in the capital markets through the issuance of debt, equity and derivative securities on either an underwritten or an agency basis.

Liquidity
The total of cash and cash equivalents available to the Company as capital for operating and regulatory purposes.

National Health Insurance (NHI) tax
Payroll tax applicable to UK employees based on percentage of incentive compensation payout.

Nominated Adviser (Nomad)
A company approved by the LSE to act as an adviser for companies who wish to be admitted to AIM. A Nomad warrants to the LSE that the company is appropriate for admission and assists the listed company on an ongoing basis with disclosure and other market related matters.

Normal course issuer bid (NCIB)
A repurchase of the Company's own shares through a stock exchange, subject to various rules of the relevant exchange and securities commission.

Principal trading
Registered traders who trade equity securities on behalf of the Company in its principal and inventory accounts.

Return on average capital employed (ROCE)
A historical measure of capital in the business involving elements other than common equity. Replaced by ROE.

Return on average common equity (ROE)
Net income expressed as a percentage of average common equity.

Risk
Financial institutions face a number of risks that may expose them to losses, including market, credit, operational, regulatory and legal risk.

Separately managed accounts (SMAs)
Client accounts in which securities are individually owned rather than held through a pooled fund. Managed by both internal and external senior portfolio managers.

Stock Compensation Plan (SCP)
This plan is aimed at rewarding and retaining Investment Advisors (IAs) in the Private Client Services business segment, and was implemented as part of a reorganization in the compensation structure for IAs. Canaccord rewards IAs through this program on a sliding scale and certain minimum requirements based on their gross production.

Syndicate participation
A group of investment banking firms coordinating the marketing, distribution, pricing and stabilization of equity financing transactions.

Trading services
Quotation services, trade reconciliation, execution management, order book management and trade reporting.

Underwriter – investment banking
Purchases securities or other instruments from a corporate issuer for resale to investors.

Wrap accounts
A type of brokerage account where a single or flat fee covers all administrative, research, advisory and management expenses.

CORPORATE GOVERNANCE

The Board of Directors (the "Board") assumes responsibility for the stewardship of the Company, acting as a whole and through its committees, and has approved a formal Board Governance Manual (the "Mandate") including terms of reference for the Board and setting forth the Board's stewardship responsibilities and other specific duties and responsibilities. The Board's responsibilities are also governed by:

- The *Business Corporations Act* (British Columbia)
- The Company's articles
- The charters of its committees
- Other corporate policies and applicable laws

COMMUNICATION WITH INDEPENDENT MEMBERS OF THE BOARD

Terrence Lyons has been appointed by the Board of Directors of Canaccord Capital Inc. as its Lead Director. One of his responsibilities is to receive and determine appropriate action on any communications from interested parties that are addressed to the independent directors of the Board. Such communications can be sent to Mr. Lyons in writing by mail to 406 – 815 Hornby Street, Vancouver, BC V6Z 2E6.

STRATEGIC PLANNING PROCESS

The Board's Mandate provides that the Board is responsible for ensuring that the Company has an effective strategic planning process. As such, the Board reviews, approves, monitors and provides guidance on the Company's strategic plan.

IDENTIFICATION AND MANAGEMENT OF RISKS

The Board's Mandate includes:

- Assisting management to identify the principal business risks of the Company
- Taking reasonable steps to ensure the implementation of appropriate systems to manage and monitor those risks
- Reviewing plans for evaluating and testing the Company's internal financial controls
- Overseeing the external auditors, including the approval of the external auditors' terms of reference

SUCCESSION PLANNING AND EVALUATION

The Board's Mandate includes keeping in place adequate and effective succession plans for the Chairman & Chief Executive Officer ("CEO") and senior management.

- The Corporate Governance and Compensation Committee (the "CGCC") receives periodic updates on the Company's succession plan at the senior officer level and monitors the succession planning process
- The succession plan is reviewed, at least annually, by the CGCC
- On the recommendation of the Chairman & CEO, the Board appoints the senior officers of the Company

COMMUNICATIONS AND PUBLIC DISCLOSURE

The Company's Disclosure Controls Policy (the "DCP") addresses the accurate and timely communication of all important information relating to the Company and its interaction with shareholders, investment analysts, other stakeholders and the public generally.

- The DCP is reviewed annually by the Board
- The DCP, public securities regulatory filings, press releases and investor presentations are posted on the Company's Web site
- The Board reviews all quarterly and annual consolidated financial statements and related management discussion and analysis, the Company's earnings releases, management information circulars, annual information forms ("AIFs") and financing documents

INTERNAL CONTROLS

The Board requires management to maintain effective internal controls and information systems. The Board, with the assistance of the Audit Committee, oversees the integrity of the Company's internal control and information systems.

- The Audit Committee meets no less than five times a year with the Company's Chief Financial Officer and senior finance staff to review internal controls over financial reporting and related information systems
- External auditors provide recommendations to the Audit Committee on an annual basis on the Company's internal controls and information systems

As of March 31, 2007, an evaluation was carried out, under the supervision of and with the participation of management, including the Chairman & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *Multilateral Instrument 52-109*. Based on that evaluation, the Chairman & CEO and the Executive Vice President & CFO concluded that the design and operation of these disclosure controls and procedures were effective as of March 31, 2007.

GOVERNANCE

The Board recognizes the current trend towards having a majority of independent directors. As the Company continues to be largely employee owned, it is of the view that the number of its members that are independent directors adequately reflects the perspectives and interests of the minority shareholders.

- The Board is currently composed of 11 directors, five of whom are independent of management as determined under applicable securities legislation
- The CGCC is responsible for periodically reviewing the composition of the Board and its committees
- A formal annual assessment process has been established to include feedback by all the directors to the full Board, including the completion of a confidential survey with an outside consultant compiling the results
- New directors are provided with substantial reference material on the Company's strategic focus, financial and operating history, corporate governance practices and corporate vision

SUMMARY OF CHARTERS AND COMMITTEES

The Board has delegated certain of its responsibilities to two committees, each of which has specific roles and responsibilities as defined by the Board. All Board committees are made up solely of non-management directors, a majority of whom are independent directors.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by monitoring the Company's financial reporting practices and financial disclosure. It is comprised of two unrelated directors and a third director who is related only as a director of a subsidiary. All members of the Audit Committee are financially literate; that is, they are able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. The current members of the Audit Committee are Messrs. Lyons (Chair), Eeuwes and Harwood.

The Audit Committee has adopted a charter which specifically defines the roles and responsibilities of the Audit Committee. The Audit Committee Charter can be found in the Company's AIF filed on SEDAR. The Audit Committee has direct communication channels with the external auditors and Chief Financial Officer and senior finance staff and discusses and reviews issues with each of them on a regular basis.

The Audit Committee is responsible to ensure management has designed and implemented an effective system of internal control. The external auditors are hired by and report directly to the Audit Committee. After consultation with management, the Audit Committee is responsible for setting the external auditors' compensation. The external auditors attend each meeting of the Audit Committee, and a portion of each meeting is held without the presence of management. The Audit Committee reviews and approves annually the external auditors' audit plan and must approve any non-audit work by the external auditors. The Chief Financial Officer and senior finance staff attend each meeting of the Audit Committee other than the portion of the meeting which is held without management present to allow a more open discussion. The Audit Committee reviews and approves annually the internal audit plan.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee is responsible for developing the Company's approach to governance issues, reviewing the Company's overall governance principles and recommending changes to those principles from time to time. It comprises three unrelated directors: Messrs. Harris (Chair), Eeuwes and Lyons. The committee has full access to staff and resources. At all regular committee meetings during the year, a portion of such meeting is held without management present to allow a more open discussion.

BOARD OF DIRECTORS

Peter M. Brown, O.B.C., LL.D.: (1997) Chairman of the Board, Chief Executive Officer and a director of Canaccord Capital Inc. and Canaccord Capital Corporation. In 1968 he joined Hemsworth, Turton & Co., Ltd., which subsequently became known as Canaccord Capital Corporation. Since 1968, Mr. Brown has been involved in the Canadian capital markets. Mr. Brown is currently a member of the board of directors of the IDA – Industry Association and is a past member of the board and of the executive committee of the Investment Dealers Association. He is a past Chairman of the Board of the University of British Columbia, the Vancouver Stock Exchange, BC Place Corporation and BC Enterprise Corporation. He was also the Vice Chairman of Expo '86 Corporation. He is currently on the board of trustees for The Fraser Institute, a Canadian research organization. He is a past member of the Chief Executives Organization and the Young Presidents Organization. He is a former member of the board of governors of the Atlantic Institute for International Affairs, the CICA Accounting Research Advisory Board and the Council for Business and the Arts in Canada. Mr. Brown is a past recipient of the BC Chamber of Commerce Businessman of the Year award. He was awarded the BC & Yukon Chamber of Mines Financier Award for 2000, the Ernst & Young Pacific Entrepreneur of the Year Award for 2001 and in 2002 the Distinguished Service Award by the Prospectors and Developers Association of Canada. In January 2003, Mr. Brown received a Commemorative Medal for the Golden Jubilee of Her Majesty Queen Elizabeth recognizing his community service. In June 2003, he was awarded the Order of British Columbia recognizing his fundraising efforts for various charities and organizations in British Columbia as well as the vital role he has played in financing hundreds of British Columbia businesses. In February 2004, Mr. Brown was named "Person of the Year" by the Brotherhood Inter-Faith Society of British Columbia. In 2005 Mr. Brown received an honorary Doctor of Laws from the University of British Columbia. He is currently a member nominated by the Government of Canada of the board of directors of the Vancouver Organizing Committee of the 2010 Olympic and Paralympic Winter Games (VANOC).

Arpad A. Busson: (2005) A founding member of the Alternative Investment Management Association (AIMA). He helped pioneer the Moore Group and the Tudor Group (two of the largest and best known hedge fund management groups in the world). Mr. Busson founded the EIM Group, one of the largest funds of funds in the world. He has served on different panels internationally as a hedge fund industry expert.

William J. Eeuwes: (2002) Vice President of Manulife Capital, with more than 25 years of experience in underwriting and the management of a broad range of asset classes. Mr. Eeuwes is a Fellow of the Institute of Canadian Bankers and is a director of a number of other public companies.

Michael D. Harris: (2004) Senior business advisor with Goodmans LLP in Toronto and Premier of the Province of Ontario from 1995 to 2002. Mr. Harris is also a director of a number of other public companies, serves as a director of the Tim Horton Children's Foundation and sits on the board of St. John's Rehabilitation Hospital.

Brian D. Harwood: (2004) Former President & Chief Operating Officer of Canaccord Capital Corporation. He was also previously a governor and Chairman of the Vancouver Stock Exchange, a director and Chairman of the Canadian Investor Protection Fund and a director of the Investment Dealers Association. Mr. Harwood is not currently a director of any other public companies.

Timothy J.D. Hoare: (2005) Chairman & Chief Executive Officer of Canaccord Adams Limited. In 1990 Mr. Hoare became a director of Credit Lyonnais Laing International. In 1993 Mr. Hoare established T. Hoare & Co. Limited, an investment dealer based in London, England. Canaccord acquired a minority interest in T. Hoare & Co. Limited in 1996 and in 1999 it became a wholly owned subsidiary – Canaccord Capital (Europe) Limited.

Terrence A. Lyons: (2004) Chairman of Northgate Minerals Corporation and a director of several private companies. In 1986, he became Senior Vice President of Versatile Corporation and presided over the restructuring of the corporation, which is now known as B.C. Pacific Capital Corporation, a senior merchant and investment banking company, which is part of Brookfield Asset Management.

Mark G. Maybank: (2006) Chief Operating Officer of Canaccord Capital Inc. and the President & Chief Operating Officer of Canaccord Capital Corporation. He joined Canaccord in 2001 and was responsible for its research activity. Before joining Canaccord, Mr. Maybank was an executive vice-president at a technology services and software development firm. Before that, he was a technology analyst with Yorkton Securities and chief financial officer of a US based cellular services company. Before that, he held various positions with a large multinational accounting and consulting firm. Mr. Maybank has earned both his Chartered Accountant and Chartered Business Valuator designations.

Paul D. Reynolds: (2005) President of Canaccord Capital Inc. and Chief Operating Officer of Canaccord Adams Limited. In April 2005, Mr. Reynolds was appointed Vice Chair, Global Head of Capital Markets for the Canaccord group. He joined Canaccord in 1985. He has been integral to the development of Canaccord's business in Europe and a primary contributor in positioning Canaccord as a leader in small to medium sized European equity markets.

Michael A. Walker: (2006) Dr. Michael Angus Walker is a Senior Fellow at The Fraser Institute and President of The Fraser Institute Foundation. From its inception in 1974, until September 2005, Dr. Walker directed the activities of The Fraser Institute, an independent public policy organization. Before that he taught at Carleton University and prior to that at the University of Western Ontario. He has previously worked at the Bank of Canada and then subsequently joined the Federal Department of Finance. He received his Ph.D. at the University of Western Ontario and his B.A. at St. Francis Xavier University, Nova Scotia.

John B. Zaozirny, Q.C.: (2004) Joined Canaccord Capital Corporation in January 1996 as a director and Vice-Chairman of its Board and is a member of its capital markets group. He also serves as counsel to McCarthy Tétrault LLP and is a member of the Law Societies of Alberta and British Columbia. Mr. Zaozirny served in the Alberta legislature as minister of energy from 1982 to 1986. He is also a director of a number of other public companies.

The date appearing after the name of each director indicates the year in which he became a director. The term of office will expire at the Annual General Meeting in 2007.

OTHER EXECUTIVES

John Adams (Boston, MA)
Chairman, Canaccord Adams Inc. (US)

Jamie Brown (Boston, MA)
Managing Director, Head of Investment Banking (US)

Paul Chalmers (Vancouver, BC)
Executive Vice President

Paul DiPasquale (Vancouver, BC)
Executive Vice President

Kevin Dunn (Boston, MA)
President & CEO, Canaccord Adams Inc. (US)

Matthew Gaasenbeek (Toronto, ON)
Executive Vice President & Managing Director,
Institutional Sales and Trading (Canada)

Tom Gabel (Boston, MA)
Managing Director, Head of Sales (US)

Richard Grafton (Calgary, AB)
Executive Vice President & Managing Director,
Global Head of Energy

Andrew Jappy (Vancouver, BC)
Executive Vice President & Chief Information Officer

Neil Johnson (London, UK)
Managing Director, Head of Corporate Finance (UK),
Global Head of Technology

Karl Keegan (London, UK)
Managing Director, Head of Research (UK),
Global Sector Head of Life Sciences Research

Michael Kendall (London, UK)
Chief Financial Officer of Canaccord Adams Limited

Bradley Kotush (Vancouver, BC)
Executive Vice President & Chief Financial Officer

Robert Larose (Vancouver, BC)
Executive Vice President, Head of Private Client Services

Nigel Little (London, UK)
President of Canaccord Adams Limited (UK)

Bruce Maranda (Vancouver, BC)
Executive Vice President Global Compliance &
Chief Compliance Officer

Jens Mayer (Toronto, ON)
Executive Vice President, Head of Investment Banking

Bruce McDonald (Calgary, AB)
Managing Director, Head of Research (Canada),
Royalty Trust Analyst

Mark Vanry (London, UK)
Managing Director, Head of Sales

Peter Virvilis (Vancouver, BC)
Executive Vice President, Operations & Treasurer

William Whalen (Montreal, QC)
Executive Vice President & Director

LOCATIONS

PRIVATE CLIENT SERVICES

British Columbia

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32071 South Fraser Way
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Toll Free: 1-877-977-5677

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Campbell River, BC
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New York, NY
USA 10022
Telephone: (646) 264-6000
Toll Free: 1-800-818-2196

San Francisco
Suite 2000
101 Montgomery Street
San Francisco, CA
USA 94104
Telephone: (415) 229-7171
Toll Free: 1-800-225-6104

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1200 Smith Street
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USA 77002
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161 Bay Street
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Canada M5J 2S1
Telephone: (416) 869-7368

Registered Trading (1)

Ancaster
#3, 240 Wilson Street East
Ancaster, ON
Canada L9G 2B7
Telephone: (905) 681-3675

(1) Registered Trading is not exclusive to this location.

SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS:

Street address:
Canaccord Capital Inc.
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Vancouver, BC, Canada

Mailing address:
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2200 – 609 Granville Street
Vancouver, BC, V7Y 1H2, Canada

STOCK EXCHANGE LISTING:
TSX: CCI
AIM: CCI

GENERAL SHAREHOLDER INQUIRIES AND INFORMATION:
Investor Relations
2200 – 609 Granville Street
Vancouver, BC, Canada
Phone: 604-643-0128
Fax: 604-643-1878
Email:
investor_relations@canaccord.com

MEDIA RELATIONS:
Scott Davidson
Managing Director, Global Head of Marketing & Communications
Phone: 416-869-3875
Email: scott_davidson@canaccord.com

INSTITUTIONAL INVESTORS, BROKERS AND SECURITY ANALYSTS:

For financial information inquiries contact:
Katherine Young
Vice President, Investor Relations
2200 – 609 Granville Street
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Fax: 604-643-1857
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katherine_young@canaccord.com

This CCI 2007 Annual Report is available on our Web site at www.canaccord.com. For a printed copy please contact the Investor Relations department.

COMMON SHARE TRADING INFORMATION (FISCAL 2007)

Stock exchange	Ticker	Diluted shares outstanding at March 31, 2007	Year-end price March 31, 2007	High	Low	Total volume of shares traded
Toronto TSX	CCI	48,084,304	22.12	27.50	15.80	41,918,095
London AIM	CCI	48,084,304	£9.80	£12.95	£7.25	40.040

FISCAL 2007 DIVIDEND DATES AND AMOUNTS

Quarter end date	Record date	Payment date	Dividend
June 30, 2006	August 25, 2006	September 8, 2006	$0.08
September 30, 2006	November 24, 2006	December 8, 2006	$0.08
December 31, 2006	February 23, 2007	March 8, 2007	$0.10
March 31, 2007	June 1, 2007	June 8, 2007	$0.10
		Total dividends	$0.36

QUALIFIED FOREIGN CORPORATION

CCI is a "qualified foreign corporation" for US tax purposes under the *Jobs & Growth Tax Reconciliation Act of 2003*.

FISCAL 2008 EXPECTED DIVIDEND AND EARNINGS DATES

	Earnings release date	Dividend record date	Dividend payment date
Q1/08	August 2, 2007	August 24, 2007	September 10, 2007
Q2/08	November 8, 2007	November 30, 2007	December 10, 2007
Q3/08	February 7, 2008	February 22, 2008	March 10, 2008
Q4/08	May 15, 2008	May 30, 2008	June 10, 2008

SHAREHOLDER ADMINISTRATION:

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

COMPUTERSHARE INVESTOR SERVICES INC.:

100 University Avenue, 9th Floor
Toronto, ON, M5J 2Y1
Phone: 1-800-564-6253
(toll free within North America)
514-982-7555 (international)
Fax: 1-866-249-7775
(toll free within North America) or
416-263-9524 (international)
Email: service@computershare.com
Internet: www.computershare.com
Offers enrolment for self-service account management for registered shareholders through Investor Centre.

FINANCIAL INFORMATION:

For present and archived financial information, please visit www.canaccord.com/financialreports

AUDITOR:

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

FEES PAID TO SHAREHOLDERS' AUDITORS:

For fees paid to shareholders' auditors, see page 39 of the fiscal 2007 Annual Information Form.

PRINCIPAL SUBSIDIARIES:

Canaccord Capital Corporation
Canaccord Adams Ltd.
Canaccord International Ltd.
Canaccord Capital Corporation (USA), Inc.
Canaccord Adams Inc.
Canaccord Enermarket Ltd.

CORPORATE WEB SITE:

www.canaccord.com

EDITORIAL SERVICES:

Tudhope & Company, Inc.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on Thursday, August 2, 2007 at 11:00 am (Pacific time) at The Four Seasons Hotel, Crystal Ballroom, 791 West Georgia Street, Vancouver, BC, Canada.

A live Internet Webcast will also be available for shareholders to view. Please visit the Webcast events page at www.canaccord.com for more information and a direct link.

To view Canaccord's regulatory filings on SEDAR, please visit www.sedar.com.

INTERBRAND

CANACCORD

CAPITAL