CANACCORD CAPITAL INC.   *Annual Report 2008*

ideas that deliver

CANACCORD CAPITAL

Annual Report 2008

CANACCORD CAPITAL INC.

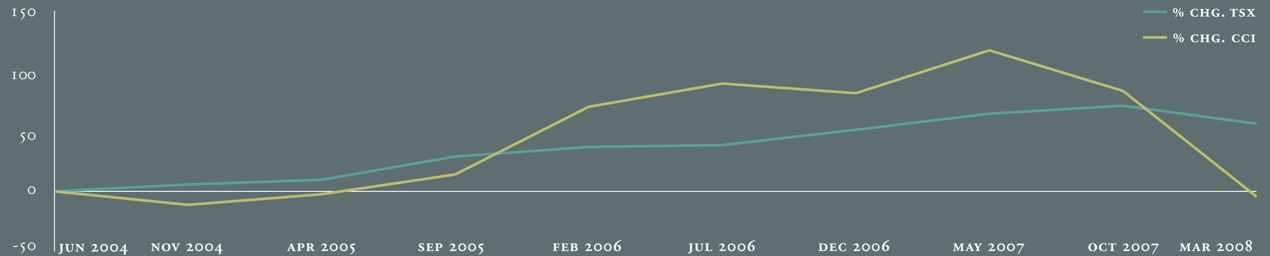
our business

Canaccord stands out as a premier independent investment dealer. We are a focused, integrated and global service provider of innovative investment ideas and wide-reaching sector expertise. Our clients, employees and partners share our commitment to quality and our entrepreneurial approach. We are proud of our ideas, our team and our successes 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. Canaccord is publicly traded on both the Toronto Stock Exchange (TSX) and AIM, a market operated by the London Stock Exchange. Canaccord has operations in two of the principal segments of the securities industry: capital markets and private client services. Together, these operations offer a wide range of complementary investment banking services, investment products and brokerage services to Canaccord's institutional, corporate and private clients. Canaccord has approximately 1,683 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.

CCI SHARES VS. TSX SINCE IPO



* CCI share price only, excludes dividends

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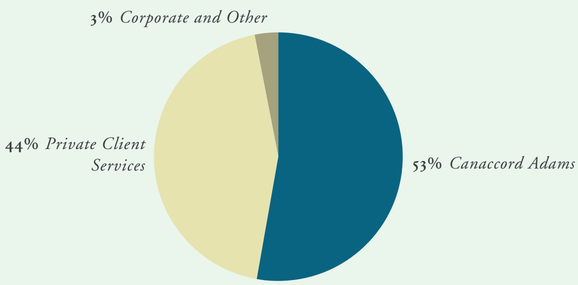
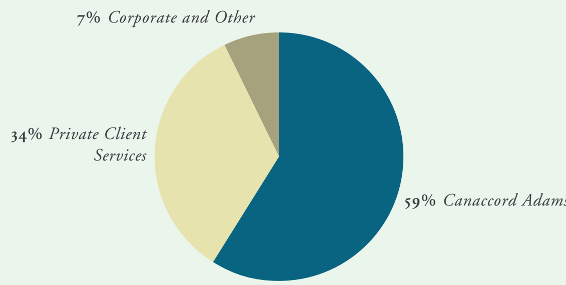
Canaccord Capital Inc.
at a glance

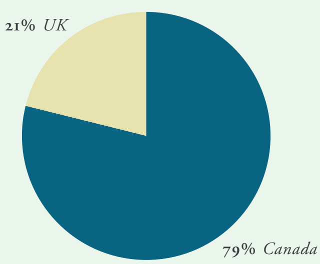
FY 2004 — TOTAL REVENUE BY BUSINESS SEGMENT



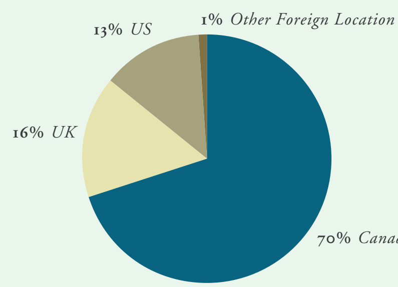
FY 2008 — TOTAL REVENUE BY BUSINESS SEGMENT



FY 2004 — TOTAL REVENUE BY GEOGRAPHIC SEGMENT



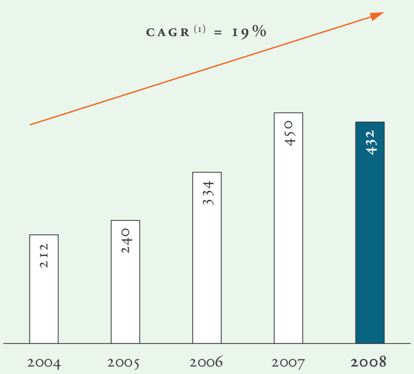
FY 2008 — TOTAL REVENUE BY GEOGRAPHIC SEGMENT



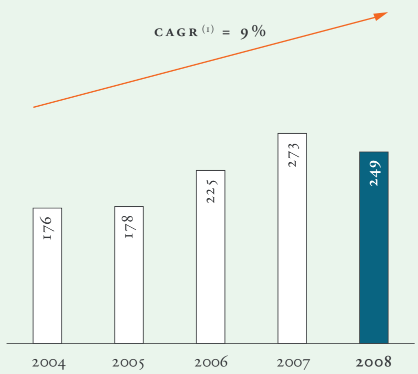
Canaccord Adams Limited constitutes Canaccord's UK geographic segment. Canaccord Adams Inc. and Canaccord Capital Corporation (USA), Inc. constitute Canaccord's US geographic segment. Canaccord Adams is the brand used for the division of Canaccord Capital Corporation engaged in capital markets activities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

REVENUE DISTRIBUTION BY BUSINESS SEGMENT
(C$ millions)

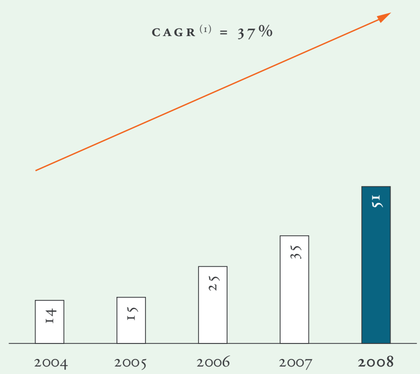
Canaccord Adams



Private Client Services



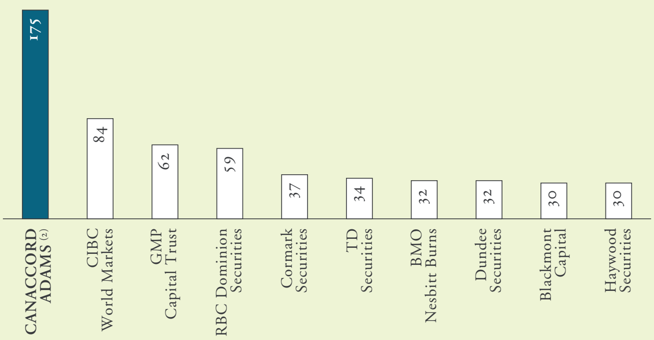
Corporate and Other



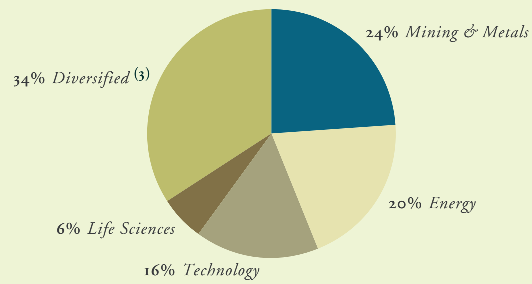
(1) CAGR: Compounded annual growth rate.

CANACCORD ADAMS HIGHLIGHTS

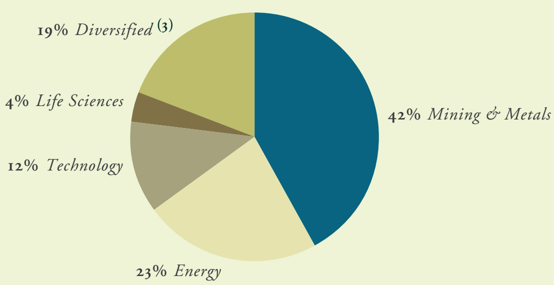
Number of led transactions – equity offerings of $1.5 million and greater during fiscal 2008 (1)



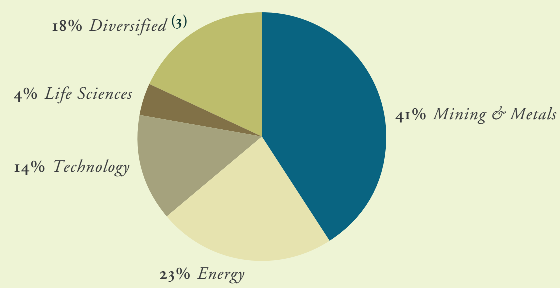
Transactions by sector during fiscal 2008



Revenue by sector during fiscal 2007



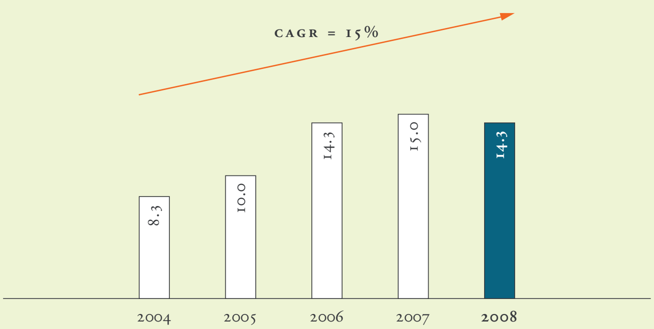
Revenue by sector during fiscal 2008



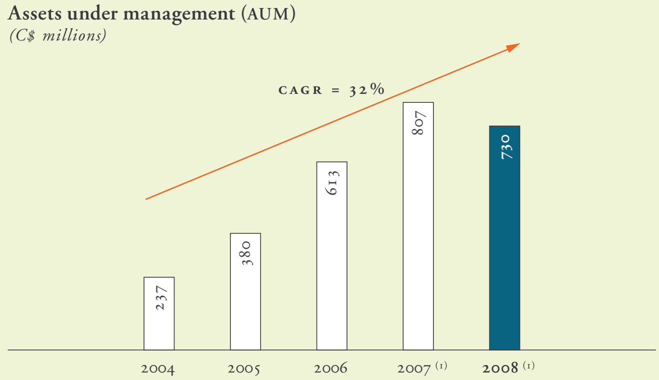
(1) Source: Financial Post Data Group as of March 31, 2008, underwriting table of equity transactions. League table includes all transactions listed on the Canadian exchanges and all Canadian issuer transactions listed on any foreign exchanges.
(2) In addition to the transactions participated in by its Canadian operations, Canaccord's figures also include transactions by its UK and US operations.
(3) Diversified includes Consumer, Real Estate, Industrial Growth and Sustainability.

PRIVATE CLIENT SERVICES HIGHLIGHTS

Assets under administration (AUA)
(C$ billions)



Assets under management (AUM)
(C$ millions)



(1) AUM are assets managed on a discretionary basis under our programs generally described as or known as the "Alliance Accounts" *and* "Private Investment Management" *offered by Canaccord. AUM has been reclassified commencing in Q1/07 to include all the Separately Managed Accounts and Advisor Managed Accounts in addition to the* Independence Accounts.

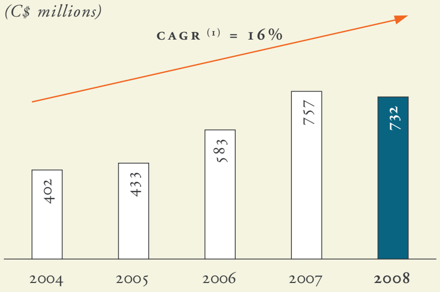
financial highlights

SELECTED FINANCIAL INFORMATION (1)

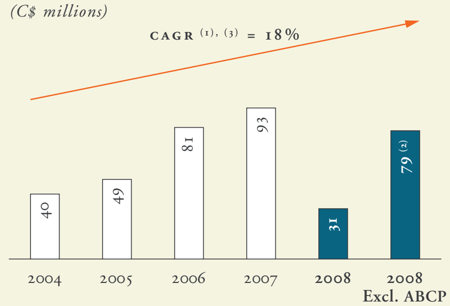
(C$ thousands, except per share, employee and % amounts)	*2008*	*2007*	*2006*	*2008/2007 increase/(decrease)*	
		For the years ended March 31			
Revenue					
Commission	$ **296,047**	$ 303,672	$ 239,461	$ (7,625)	(2.5)%
Investment banking	**336,874**	350,273	266,206	(13,399)	(3.8)%
Principal trading	**7,443**	31,638	27,388	(24,195)	(76.5)%
Interest	**63,168**	57,908	36,914	5,260	9.1%
Other	**28,007**	13,423	13,446	14,584	108.6%
Total revenue	$ **731,539**	$ 756,914	$ 583,415	$ (25,375)	(3.4)%
Expenses					
Incentive compensation	**347,079**	382,897	299,188	(35,818)	(9.4)%
Salaries and benefits	**54,294**	47,608	42,019	6,686	14.0%
Other overhead expenses	**207,638**	188,212	123,178	19,426	10.3%
Asset-backed commercial paper (ABCP) fair value adjustment	**12,797**	–	–	12,797	n.m.
Canaccord Relief Program and restructuring	**58,200**	–	–	58,200	n.m.
Total expenses	$ **680,008**	$ 618,717	$ 464,385	$ 61,291	9.9%
Income before income taxes	**51,531**	138,197	119,030	(86,666)	(62.7)%
Net income	**31,334**	93,456	81,150	(62,122)	(66.5)%
Earnings per share (EPS) – basic	$ **0.70**	$ 2.03	$ 1.82	$ (1.33)	(65.5)%
Earnings per share (EPS) – diluted	$ **0.64**	$ 1.94	$ 1.74	$ (1.30)	(67.0)%
Return on average common equity (ROE)	**7.9%**	28.4%	33.6%	(20.5)p.p.	
Cash dividend	$ **0.50**	$ 0.36	$ 0.28	$ 0.14	38.9%
Book value per diluted common share – period end (2)	**7.21**	7.74	5.99	(0.53)	(6.8)%
Excluding ABCP adjustments (3)					
Expenses	$ **609,011**	$ 618,717	$ 464,385	$ (9,706)	(1.6)%
Income before income taxes	**122,528**	138,197	119,030	(15,669)	(11.3)%
Net income	**79,346**	93,456	81,150	(14,110)	(15.1)%
Earnings per share (EPS) – basic	**1.77**	2.03	1.82	(0.26)	(12.8)%
Earnings per share (EPS) – diluted	**1.63**	1.94	1.74	(0.31)	(16.0)%
Balance sheet data:					
Total assets	**2,098,718**	2,609,942	2,177,973	(511,224)	(19.6)%
Total liabilities	**1,741,274**	2,237,751	1,890,143	(496,477)	(22.2)%
Total common equity	**357,444**	372,191	287,830	(14,747)	(4.0)%
Number of employees	**1,683**	1,590	1,488	93	5.8%

(1) Data is considered to be in accordance with generally accepted accounting principles (GAAP) except for ROE, book value per diluted share, excluding ABCP adjustments and number of employees.
(2) Book value per diluted common share, adjusted for the 6.7 million common shares issued subsequent to March 31, 2008, was $7.53 per share.
(3) Data excludes ABCP adjustments of $58.2 million for the Canaccord Relief Program and restructuring and an ABCP fair value adjustment of $12.8 million.
n.m.: not meaningful
p.p.: percentage points

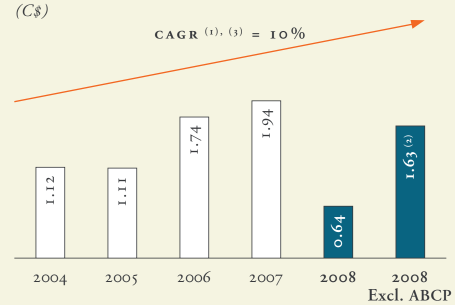
REVENUE FOR FISCAL 2008
(C$ millions)



NET INCOME FOR FISCAL 2008
(C$ millions)



DILUTED EPS FOR FISCAL 2008
(C$)



(1) CAGR: Compounded annual growth rate.
(2) Excludes ABCP adjustments of $58.2 million for the Canaccord Relief Program and restructuring and an ABCP fair value adjustment of $12.8 million; this is a non-GAAP measure.
(3) CAGR calculated using "Excluding ABCP" for fiscal 2008.

to our shareholders

If challenge reveals character, the events of fiscal 2008 illustrated that Canaccord is staffed by a remarkable team of men and women who demonstrate our company's commitment to client service. Our focus on providing clients with ideas that deliver results was unwavering through unprecedented turbulence in global credit and equity markets. And though we did not achieve a fifth consecutive year of record financial performance, our business was solidly profitable at the operating level, we set new high-water marks in equity underwriting during calendar 2007, and we continued to invest in building the capabilities of Canaccord's global platform.

While the beginning of the fiscal year was strong across all of Canaccord's businesses, investor confidence decreased as the volatility of global markets increased over the balance of the year. Revenues declined 3.4% to $731.5 million, with the major portion of the decrease attributable to lower levels of activity in investment banking and lower principal trading revenue. Expenses rose 9.9% due primarily to third party asset-backed commercial paper (ABCP) charges related to the Canaccord Relief Program for clients. During fiscal 2008, we recorded fair value adjustments of $0.17 per share related to the ABCP Canaccord holds in treasury, including a provision of $4.2 million pre-tax, or $0.06 per share after tax, recorded during Q4/08. The balance of the ABCP-related expenses resulted from a charge of $58.2 million pre-tax, $39.6 million after tax, or $0.82 per share for the Canaccord Relief Program and restructuring. As a result, net income for fiscal 2008 declined to $31.3 million from $93.5 million in the prior year.

In May 2008 we completed the sale of 6.7 million Canaccord treasury shares for gross proceeds of $69.0 million. The net proceeds of the offering effectively return our balance sheet to the level of strength it had prior to the provision taken for the Canaccord Relief Program. And while we did not need additional capital for our normal business activities, it does position Canaccord very well to take advantage of strategic acquisition opportunities and continue to execute on the business plan that has driven our growth in recent years.



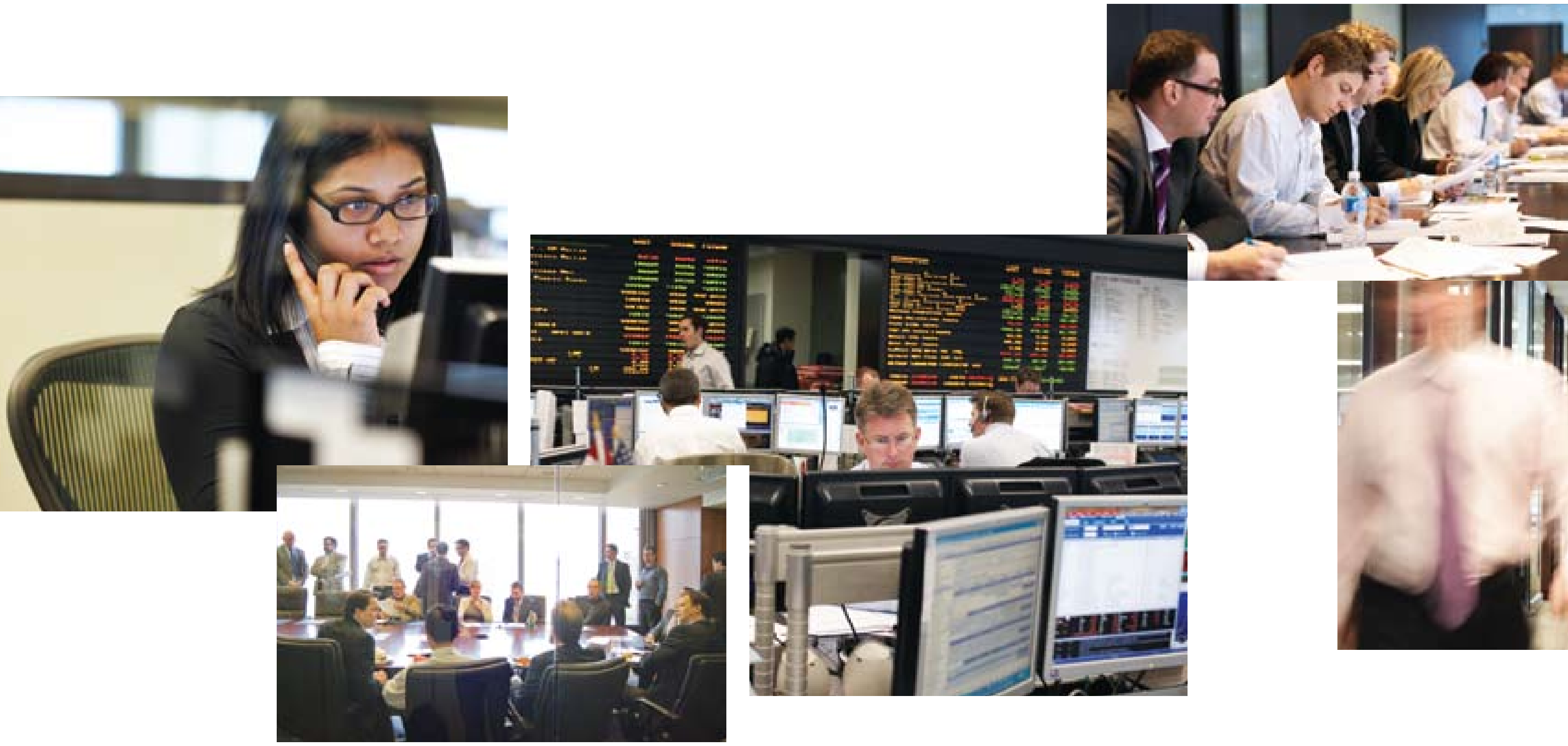



AN EQUITABLE SOLUTION FOR CLIENTS

The ABCP issue was an unforeseen consequence of the unprecedented disruption in the credit and capital markets during calendar 2007 and early 2008. Regrettably, those consequences caused significant concerns and hardships for Canaccord clients who held these notes. Throughout the time-consuming and complex restructuring process, we remained determined to find a solution that provided clients with a return of their capital. The Canaccord Relief Program will accomplish that goal by combining a credible third party market bid for eligible clients' ABCP with a Canaccord-funded top-up to achieve par value for their restructured notes; we will also reimburse clients' pro rata share of restructuring costs. Moreover, the Canaccord Relief Program will protect eligible clients' entitlement to any unpaid interest resulting from the Pan-Canadian Investors Committee for Third-Party Structured ABCP's restructuring program for the ABCP notes.

We believe this to be the best possible outcome from a very challenging situation, and we were pleased with the overwhelming support for the restructuring plan in the April 25th vote. Full details of the Canaccord Relief Program and the fair value adjustments to Canaccord's treasury holdings of ABCP can be found in the Management's Discussion and Analysis, beginning on page 18 of this report.

Subsequent to March 31, 2008, Bob Larose stepped down from his position as Executive Vice President and Head of Private Client Services. Bill Whalen also announced his retirement from his position as Vice President and Head of our fixed income group. As a result of these changes, I am acting as interim Head of Private Client Services and Mark Maybank, our COO, will be leading our fixed income group while we recruit permanent leadership for these important business groups.



ACCOMPLISHMENTS IN A DIFFICULT YEAR

Given the business environment in which our teams were required to operate, the past year was in many ways a remarkable period and a strong corroboration of our culture and values. During calendar 2007, for example, Canaccord Adams ranked first among all Canadian investment banks for led and co-led equity transactions over $1.5 million, raising $6.1 billion in connection with over 175 transactions. We led or co-led 17 transactions over $100 million during calendar 2007, including our largest ever at more than $614 million. And as a measure of our continuing diversification, more than half of the transactions we were involved in last year were for non-resource companies.

Our investments in the US during the past two years in talent, offices and systems helped generate significant momentum during fiscal 2008. Despite volatile market conditions, investment banking revenues in the US grew strongly, as did revenues from our revitalized sales and trading operations. While the US operations are not yet profitable, we are pleased not just with the returns on our investment to date but also our ability to be competitive in winning investment banking mandates. Our UK operations – Canaccord Adams Limited – also performed well, winning high profile investment banking assignments and being named a leading stockbroker on the London Stock Exchange's AIM market in the 2008 Hemscott Ranking. That said, investment banking revenues, particularly in Canada and the UK, were adversely impacted by the dramatic slowdown in underwriting and merger & acquisition (M&A) activity that gripped the entire industry during the final quarter of Canaccord's fiscal year.

After years of steady growth supported by strong markets, Private Client Services was affected by investor concerns over the direction of equity markets: revenues declined 8.6% in fiscal 2008. Assets under administration, which has grown at a compounded annual growth rate of 15% over the past five years, decreased 4.8% to $14.3 billion from $15.0 billion in the prior year. The segment made good progress on expanding Canaccord's capabilities, serving clients' needs for sophisticated wealth management, rolling out the latest generations of planning software and enhancing

our wealth management platform to provide Advisory Teams and their clients with professional advisory services. We also initiated more intensive training and development for newly licenced Investment Advisors (IAs). At year end, Canaccord had 354 Advisory Teams compared to a restated 368 in fiscal 2007 – a net decrease of 14 Advisory Teams during fiscal 2008.

THE VIEW AHEAD

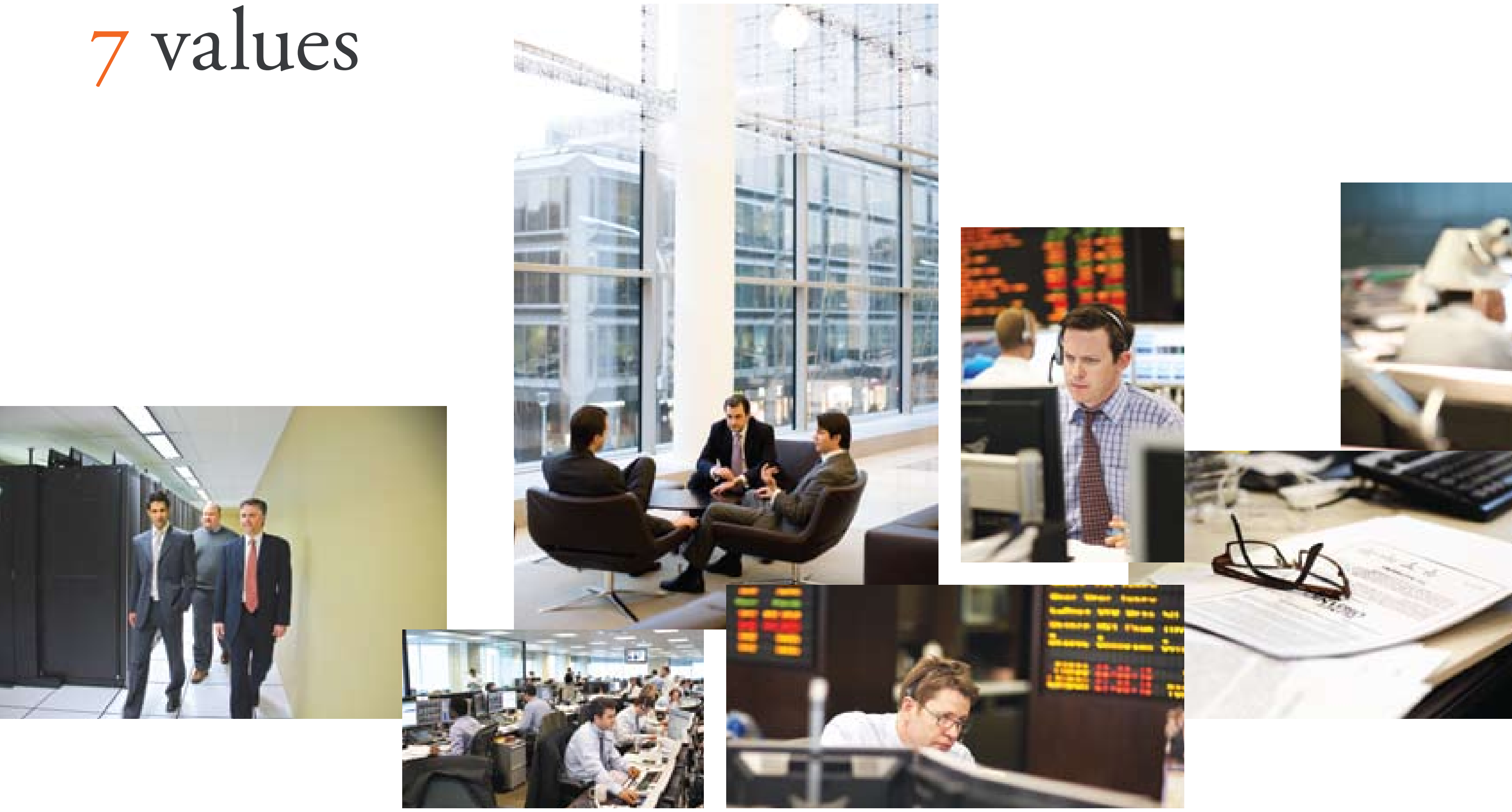
From our vantage point, the successes of fiscal 2008 and the challenging conditions under which they were achieved demonstrate the value of our over-arching strategy for Canaccord. That is to offer investors an integrated global platform with specialized expertise in eight growth areas of economic activity. There is no doubt that our marketplace is becoming more competitive as more investment banks try to emulate the success of our model. We are confident that Canaccord offers clients not only outstanding ideas that meet their entrepreneurial needs but also a better-integrated global platform capable of executing their transactions very efficiently.

We began the new fiscal year with strong client relationships and a growing share of our chosen markets. We are well capitalized and able to take on any anticipated level of business with our own resources. We are confident that Canaccord is very well positioned – with ideas, people, values and relationships – to resume its trend of growth as certainty returns to our markets.

Sincerely,

PAUL D. REYNOLDS
President & Chief Executive Officer

7 values



Seven key values drive Canaccord employees and management in delivering results to our shareholders, clients and community. *These values were forefront in our minds during this year's turbulent markets and asset-backed commercial paper restructuring, and helped to guide many of the decisions we made. Most importantly, they support our unwavering commitment to building lasting client relationships, creating shareholder value and generating innovative ideas.*

Pursuing and living up to these values is something we take great pride in.

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.

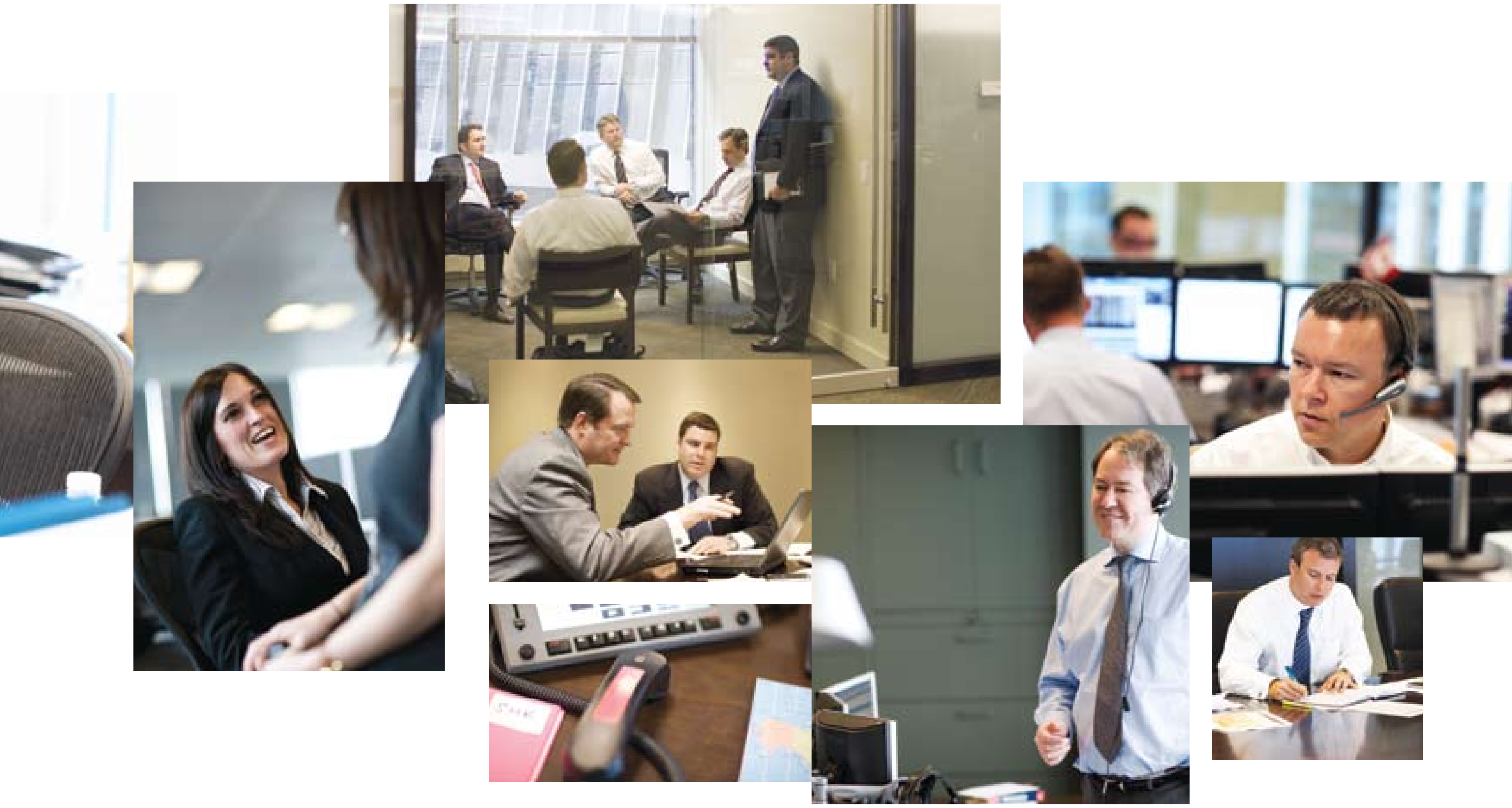
6. We are dedicated to creating exemplary shareholder value
We are committed to aligning the interests of our people with fellow Canaccord shareholders through share ownership. We believe that ownership motivates the ideas and efforts that lead to value creation.

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, Real Estate, Industrial Growth and Sustainability sectors.

Canaccord Adams

LED/CO-LED EQUITY TRANSACTIONS

$614.5 million on AIM for Aricom plc
$500.0 million on TSX for Niko Resources Ltd.
$363.0 million on TSX for Heritage Oil Corp.
$267.0 million on TSX and AIM for First Calgary Petroleums Ltd.
$225.0 million on TSX Venture for Rusoro Mining (BVI) Ltd.
$201.2 million on TSX and AIM for Eastern Platinum Limited
$185.0 million on TSX for Sentry Select Primary Metals Corp.
$161.0 million on TSX Venture for Holloway Lodging REIT
$110.8 million on TSX Venture for Peak Gold Ltd.
$105.0 million on TSX Venture for InStorage REIT
$104.9 million on AIM and TSX for Oriel Resources Plc
$100.8 million on TSX for Aura Gold Inc.
$100.0 million on TSX Venture for B2Gold Corp.



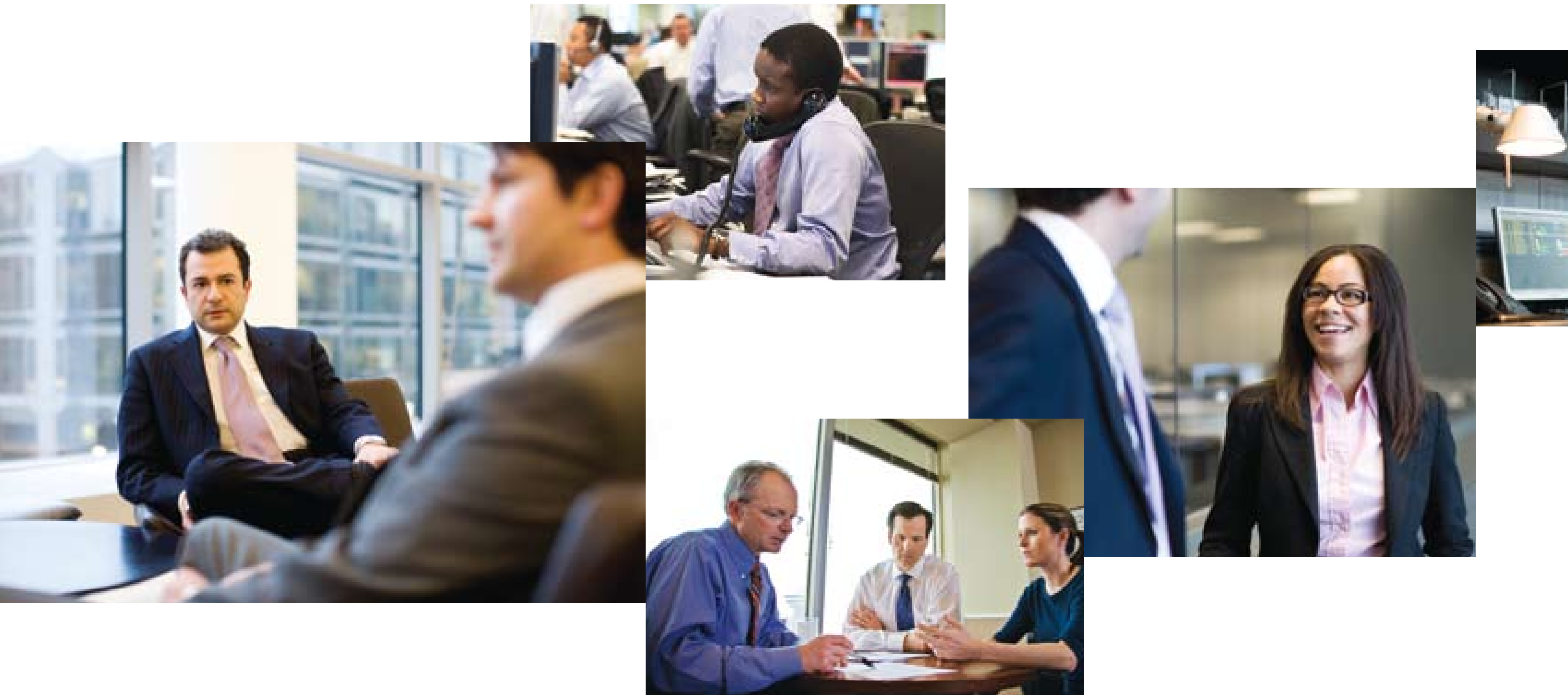
Canaccord Adams offers mid-market corporations and institutional investors around the world a seamlessly integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the United States and the United Kingdom.

AWARD WINNING IDEAS

Canaccord's 55 research analysts have deep knowledge of more than 550 small to mid-cap companies across eight focus sectors: Mining and Metals, Energy, Technology, Life Sciences, Consumer, Real Estate, Industrial Growth and Sustainability. Our emphasis – sophisticated, actionable ideas that can help our clients outperform benchmarks – again garnered us important acknowledgements. The *Brendan Wood's International 2007 Equity Research Report* on institutional equity research and sales and trading performance ranked Canaccord first among Canadian investment firms for quality of investment ideas.

With research analysts in Canada, the US and the UK, we can provide detailed local coverage that uncovers high quality opportunities. Our integrated research capability across these international markets also enables us to provide value-added advice and follow-on coverage

Canaccord Adams



for companies pursuing international equity financings. The value of Canaccord's global capabilities was again evident at our 27th Annual Global Growth Conference in Boston. The event, our largest ever, brought together more than 1,000 institutional and corporate participants from the US, the UK and Canada to explore trends and opportunities in mid-market investing around the world.

STRENGTH IN SALES AND TRADING

Successful outcomes from great ideas begin with a well-executed transaction. That is the valued expertise Canaccord Adams' sales and trading desks bring to their more than 1,500 institutional relationships around the world. Our 95 professionals deliver not only actionable ideas that match their clients' interests but also timely execution of transactions of virtually any size or liquidity.

Canaccord Adams' sales and trading operations are located in Toronto, London, Vancouver, Calgary, Montreal, Boston, New York and San Francisco, and we are active on seven exchanges. Moreover, we operate as an integrated team on a common platform, with dedicated sales specialists in our eight focus sectors. In April 2007 we hired a team with broad expertise in electronic trading. In this regard, we have launched an initiative to provide new execution services, such as algorithmic trading and Direct Market Access trading on North American exchanges for our institutional clients.

These broad capabilities served Canaccord Adams well during fiscal 2008. While market volatility during the second half of the year led to a year-over-year decline in Canadian equity trading, our expanded US sales and trading operations led to a significant improvement over the prior year. The UK also experienced revenue growth in this area.

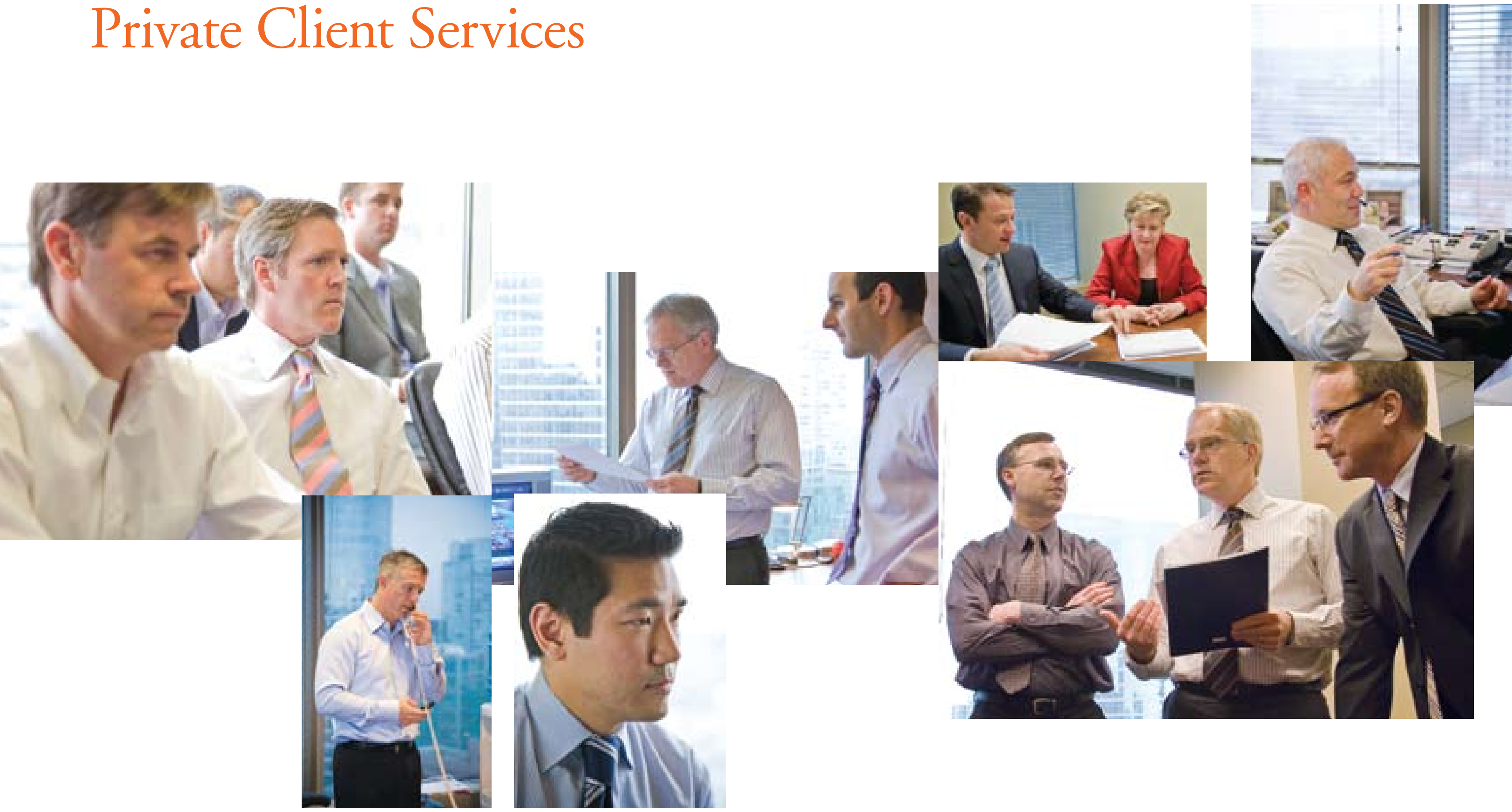
GLOBAL CAPITAL MARKETS CHALLENGE INVESTMENT BANKING

Canaccord Adams offers small and mid-cap clients a very effective package of services that can help them participate successfully in global markets. With more than 100 skilled investment bankers, we can offer more than deep sector expertise and broad equity transaction and M&A advisory experience. We offer a highly effective global platform that provides integrated distribution across North America and Europe.

This competitive offering enabled Canaccord Adams to deliver excellent performance during fiscal 2008, despite the challenges to international credit and equity markets in the second half of the fiscal year. For calendar 2007, Canaccord Adams was ranked number one in Canada for equity transactions over $1.5 million, leading 175 transactions that raised $6.1 billion. In total, we participated in 395 transactions that raised $24.8 billion, leading all other Canadian firms on that measure as well.

Our recent additions of banking and research professionals in the United States will add measurably to Canaccord Adams' performance in fiscal 2009. We are now the leading North American investment firm in Private Investment in Public Equity transactions, raising $913 million in fiscal 2008 in 53 transactions. Revenues in the UK advanced strongly during the first nine months of the fiscal year on renewed strength in investment banking mandates, only to fall sharply in Canaccord's final quarter due to contraction in the global capital markets. We nevertheless continued to maintain our strong relative presence on the AIM, ranking in the top three firms for market capitalization as Financial Advisor or Stockbroker according to the latest Hemscott survey.

Private Client Services



As a leading independent investment dealer, Canaccord has built its reputation on the quality of investment ideas that can deliver results. During the past year, we expanded our capabilities in wealth management to better serve the needs of clients with substantial assets.

Our industry leading asset allocation and financial planning software enables our Advisory Teams to create comprehensive investment policy models for complex financial situations. We have also added to the Private Client Services support team by hiring new wealth management services personnel, who provide Advisory Teams and their clients with professional advisory services on sophisticated strategies such as individual pension plans, charitable trusts and risk management. We plan to continue to enhance the skills and services available through our wealth management platform in the coming year.

We recognize that the growing complexity of many clients' financial circumstances demands experienced advisors who can deliver appropriate ideas. A growing number of our senior IAs have undergone the rigorous study required for advanced industry designations such as Chartered Financial Analyst, Certified Investment Manager and Fellow of CSI. Late in the fiscal year, we increased investment in training and development for a new cohort of IAs that will ensure their skills match the complex needs of wealthy clients.

In the last quarter of fiscal 2008, we changed how we report our IAs. We are now reporting them as Advisory Teams to reflect how the business operates. We have also recategorized IAs still in training, removing them from our total number of Advisory Teams, and have parted company with several advisors who were unable to meet our targets for productivity. As a result, Canaccord had 354 Advisory Teams at year end compared to a restated 368 in the prior year, representing a net decrease of 14 Advisory Teams during fiscal 2008.







Practice management will be an important focus for Private Client Services during fiscal 2009 as we roll out a new generation of strategies to help Advisory Teams manage their books more productively.

Assets under administration (AUA) decreased 4.8% in fiscal 2008, to $14.3 billion compared to $15.0 billion in fiscal 2007 due to weaker equity market conditions versus fiscal 2007. Comparatively, the S&P/TSX Composite Index increased 1.4% and the TSX Venture Composite Index decreased 21.0% during fiscal 2008. Over a five-year period, Canaccord has experienced a 15% compounded annual growth rate of AUA.

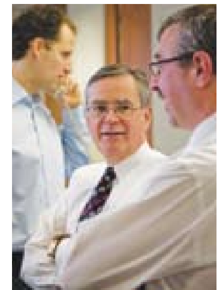
Assets under management (AUM) in our managed account product line were $730 million in fiscal 2008, a decrease of 9.5% from fiscal 2007. It should also be noted that in Q1/07, AUM was reclassified to include all separately managed accounts, also known as the *Alliance Program* and advisor managed accounts, also known as *Private Investment Management*. Prior to this Q1/07 change, AUM only included Canaccord's internally managed *Independence Accounts*, part of the *Alliance Program*.

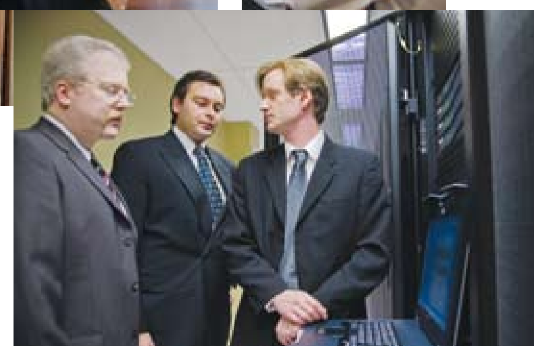
In fiscal 2008, both the externally managed *Alliance Program*, to which we added Guardian Capital as a new manager late in the year, and *Private Investment Management* grew strongly, adding to AUM for the year. AUM decreased in the *Independence Accounts* for fiscal 2008 due to the value-style investment approach used by the portfolio manager, which is less sought out in bull market conditions. As we come out of turbulent market conditions and see lower valuations, this style of investment management has become more desirable, resulting in an increase in client interest in the *Independence Accounts* product again. Longer term, our objective is to build our fee-based business from managed products to a greater proportion of assets under administration.

Starting in fiscal 2008, we are reporting our fee-based revenue to include fees earned in separately managed, advisor managed and fee-based accounts, as well as mutual fund and segregated fund trailer revenue. This method of calculating fee-based revenue is more consistent with how other firms in the industry report, and as a result of this change, Canaccord's fee-based revenue now accounts for 14.7% of Private Client Services revenue, compared to a recalculated 11.9% in fiscal 2007.

Support Services

Fiscal 2008 was a year of outstanding accomplishments for Canaccord Support Services. The entire team – operations, information technology (IT), compliance, risk management, legal and finance – worked diligently on many fronts to boost service levels and productivity across the organization.



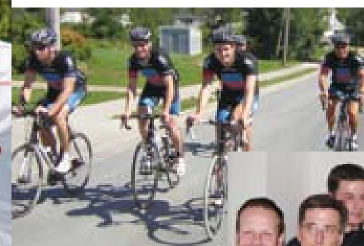


We saw excellent returns in fiscal 2008 on our recent investments in technology, which enabled us to accommodate a record level of transactions with only small incremental costs. With our infrastructure investment cycle now substantially complete in Canaccord Adams' operations in the United States, IT has shifted its focus to projects intended to improve productivity and service. The team launched the first two phases of a global deal management system for initial public offerings and initiated the first stages of an integrated risk management system that will enable us to manage and mitigate risk across Canaccord's operations. During the first quarter of fiscal 2009, institutional, private and correspondent clients gained customized access to the ideas they specifically need through a new online portal to Canaccord's research products.

Our Pinnacle Correspondent Brokerage Services, which offer a turn-key reporting and trade settlement solution to brokers, enjoyed a breakout year in fiscal 2008. New clients helped push revenues to record levels. Pinnacle continues to broaden its service offering through strategic relationships for wealth management solutions such as separately managed account administration and investment counsellor services, and through the development of leading edge integration to support automated execution for stock-based incentive plans.

Canaccord in the community





We believe that an important part of Canaccord's social responsibility is to support community initiatives in health, education, the arts, and economic and social development. Our employees invested many hours of their time and the firm contributed over $2.5 million in financial support and sponsorships during fiscal 2008 to hundreds of important local, national and international causes and programs.

HEALTH AND WELLNESS

Canaccord was proud to be the title sponsor of the 2007 *H2V: Coast to Coast* bike relay, a national event in support of a cure for juvenile diabetes. Cyclists rode over 6,000 km from Halifax to Vancouver in a record-breaking eight days, helping to increase awareness of the Juvenile Diabetes Research Foundation and their mission. The relay and related events, including personal contributions from many Canaccord staff across the country, helped raise nearly $900,000 for diabetes research.

CHILDREN AND FAMILIES

Canaccord is the title sponsor for the *Big Brothers Whistler Golf Classic*, a charitable golf tournament that raises over $450,000 annually in support of the Big Brothers of Greater Vancouver. Our employees also support Big Brothers mentoring programs in the Vancouver area by participating each year in *Bowl for Big Brothers*. In Toronto, Canaccord supports the *Bay Street Children's Foundation* through its annual softball tournament that raises funds for the Bloorview MacMillan Children's Foundation. The generosity of Canaccord employees and management was also made evident at the unveiling of *The Joanne Brown Centre for Families*, when over $900,000 of personal funds were pledged towards this important cause. Here, families, children and women are provided access to social programs to help them deal with negative influences and situations they may encounter.

POST-SECONDARY EDUCATION

We continued our support for the *Canaccord Learning Commons* at the University of British Columbia, where students studying at the Sauder School of Business are provided with the technology and tools they need to succeed as future business leaders.

CULTURAL INSTITUTIONS

Canaccord is proud to maintain its sponsorship of the *Canaccord Capital Exploration Gallery* at the Vancouver Aquarium – a space where children and students can learn about local and international sea life through interactive exhibits. Our support for the arts was evident this year, with sponsorship of ballet programs at both a national and local level. As a supporter of the *National Ballet School* in Toronto, Canaccord helps to provide aspiring dancers with the opportunity to showcase their talent and learn from many of Canada's best ballet dancers. At a local level, our Kelowna, BC branch was proud to be the title sponsor of *Ballet Kelowna*, an organization that showcases many of Canada's top ballet dancers in performances that take place in communities throughout British Columbia.

INTERNATIONAL DEVELOPMENT

Canaccord Adams is proud to provide ongoing support to the *Clinton Giustra Sustainable Growth Initiative*, an organization focused on alleviating poverty in the developing world. Canaccord is allocating portions of the underwriting proceeds in the mining sector to this initiative.

Many other worthwhile organizations, events and charities were supported by Canaccord and our employees over the year, both financially and through volunteer activities. We understand the value of giving back to the communities we operate in, and are excited about the opportunities we have to make a positive impact in them.

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 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 2008 ended March 31, 2008 – this document is dated June 12, 2008.

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, 2008 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. "Canaccord Adams" refers to the international capital markets division of the Company. The Management Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2008, beginning on page 18 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 calculated as net income divided by average shareholders' equity during the period. Management uses this measure 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. In Q1/08, our AUM definition was expanded to include all assets managed on a discretionary basis under our programs generally described as or known as the *Alliance Program* and *Private Investment Management*. AUM, under all of these programs, has been reclassified commencing in Q1/07 on this basis. 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.

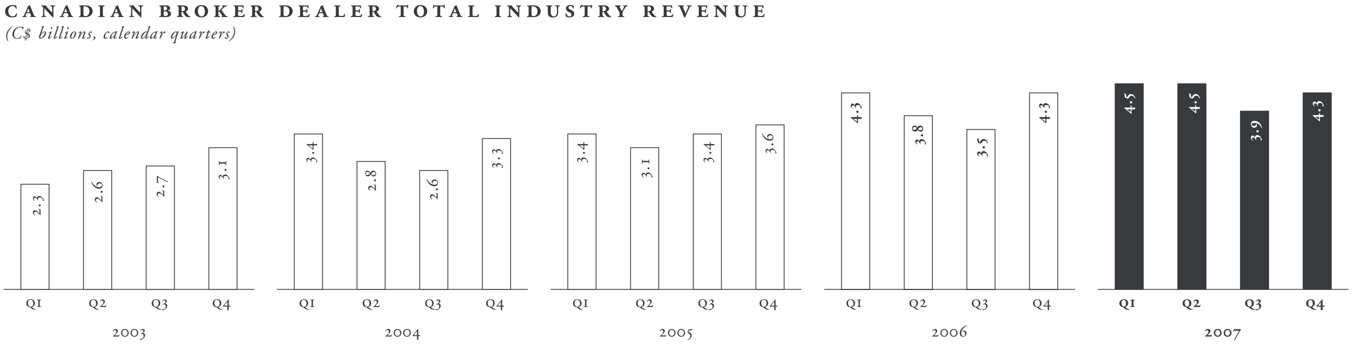
Excluding ABCP adjustments is a non-GAAP measure that reflects Canaccord's business results excluding the charges related to third party asset-backed commercial paper (ABCP) for the Canaccord Relief Program and restructuring as well as the fair value adjustment related to the ABCP Canaccord holds in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

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 AIM, a market operated by the London Stock Exchange (LSE). Canaccord has operations in two of the principal segments of the securities industry: capital markets and private client services. Together, these operations offer a wide range of complementary investment banking services, investment products, and brokerage services to Canaccord's institutional, corporate and private clients. Canaccord has approximately 1,683 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 less than 50% of our annual revenue. In early fiscal 2008, North American capital markets performed better than historical seasonal norms and were therefore less affected by typical revenue seasonality. Canaccord's revenue in the first half of fiscal 2008 represented 55% of annual revenue for fiscal 2008. 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 chart below illustrates the seasonal variance in revenue in the Canadian broker dealer industry over the past five years.



Source: Investment Dealers Association as of December 31, 2007, 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.

Market data

Trading volume by exchange

(billions of shares)	*Q1/08*	*Q2/08*	*Q3/08*	*Q4/08*	*Fiscal 2008*	*Fiscal 2007*	*2008/2007 increase/(decrease)*
TSX	**24.8**	**22.9**	**24.7**	**25.5**	**97.9**	88.5	10.6%
TSX Venture	**13.4**	**11.0**	**15.1**	**11.5**	**51.0**	39.9	28.3%
AIM	**36.4**	**32.0**	**42.1**	**38.1**	**148.6**	143.5	3.6%
NASDAQ	**60.3**	**65.1**	**63.9**	**69.9**	**259.2**	290.0	(10.6)%

Source: Canada Equity, LSE AIM Statistics, Thomson One

Total financing value by exchange

(in billions)	*Q1/08*	*Q2/08*	*Q3/08*	*Q4/08*	*Fiscal 2008*	*Fiscal 2007*	*2008/2007 increase/(decrease)*
TSX and TSX Venture (C$ billions)	**18.1**	**10.1**	**14.7**	**10.4**	**53.3**	51.1	4.3%
AIM (£ billions)	**7.0**	**3.3**	**3.1**	**1.1**	**14.5**	15.2	(4.6)%
NASDAQ (US$ billions)	**18.3**	**10.5**	**16.2**	**26.2**	**71.2**	44.3	60.7%

Financing value for relevant AIM industry sectors

(£ millions, except for % amounts)	*Q1/08*	*Q2/08*	*Q3/08*	*Q4/08*	*Fiscal 2008*	*Fiscal 2007*	*2008/2007 increase/(decrease)*
Oil and gas	**375.5**	**193.2**	**347.1**	**252.5**	**1,168.2**	1,310.2	(10.8)%
Mining	**892.0**	**349.4**	**375.6**	**210.4**	**1,827.4**	1,161.2	57.4%
Biotech and pharmaceuticals	**67.3**	**43.0**	**43.2**	**13.7**	**167.1**	361.4	(53.8)%
Media	**681.5**	**195.5**	**80.9**	**48.6**	**1,006.4**	524.4	91.9%
Technology	**295.4**	**134.3**	**90.8**	**10.3**	**530.8**	452.1	17.4%
Total	**2,311.7**	**915.4**	**937.5**	**535.4**	**4,700.0**	3,809.3	23.4%

Impact of ABCP

During Q2/08, a sharp contraction in credit market liquidity arose as a result of worsening conditions in the US sub-prime or high risk mortgage market. In reaction to those events, credit providers retreated and most third party ABCP conduits (including trusts and structured investment vehicles) in Canada were unable to refinance maturing obligations thereby inhibiting liquidity for many holders of commercial paper.

At March 31, 2008 the Company held ABCP with a par value of $42.7 million and an estimated fair value of $29.9 million. At the dates the Company acquired the ABCP it was rated R1 (High) by Dominion Bond Rating Services (DBRS), the highest credit rating issued for commercial paper. The ABCP did not settle as it matured as a result of liquidity issues in the ABCP market. There has been no active trading of the ABCP since mid-August 2007.

On March 17, 2008 DBRS withdrew its ratings of the ABCP after the Pan-Canadian Investors Committee for Third-Party Structured ABCP (the Committee) filed an application in the Ontario Superior Court of Justice asking the Court to call a meeting of the ABCP holders to vote on the Committee Restructuring Plan (Plan). On March 20, 2008 the Committee issued an Information Statement containing the details of the Plan, which was subject to votes by all investors.

On April 25, 2008, the Plan obtained approval from the majority of the note holders.

On June 5, 2008, the Plan was approved by the Ontario Superior Court and a sanction order was made. These decisions are subject to appeal. The sanction order provides the Company with immunity from any ABCP related lawsuits except for claims based in fraud (as defined in the sanction order) and made in accordance with the procedure set out in the order. The Plan does not permit those clients of the Company who receive payment in accordance with the Canaccord Relief Program to bring such a claim against the Company.

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

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

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

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

The assumptions used in the valuation model include a weighted average interest rate of 2.48%, a weighted average discount rate of 7.36%, an average maturity of notes of nine to 20 years, and credit losses of nil to 5% on rated notes, and 15% to 55% on unrated notes.

Based on these assumptions, the Company has recorded a fair value adjustment of $12.8 million for the year ended March 31, 2008. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods. There is a risk that the Company may not recover any of the estimated value of its investment in ABCP.

The ABCP was classified as held for trading on initial adoption of CICA Handbook Section 3855. As a result of the restructuring, the Company has also concluded that the recorded value of its holdings in ABCP will not be realized within a year and has accordingly reclassified the ABCP from securities owned to long-term investments.

ABCP: Canaccord Relief Program and restructuring

In mid-August 2007, Canaccord's clients held approximately $275 million of ABCP notes in their accounts at Canaccord.

On April 9, 2008 Canaccord announced the details of the Canaccord Relief Program to repurchase, at par value, up to $138 million of restructured ABCP from clients who hold $1 million or less of the notes. The program is dependent on successful restructuring of the third party ABCP market, and combines a market bid from third party sources with a Company-funded top-up to achieve par value. Clients will be entitled to receive any unpaid interest to the extent it is available under the restructuring plan and Canaccord will reimburse the clients for any restructuring costs borne by the clients. Canaccord has recorded a charge of $58.2 million pre-tax, $39.6 million after tax, or $0.82 per share in Q4/08 for the Canaccord Relief Program and restructuring.

Impact of changes in capital markets activity

As an investment dealer, Canaccord derives its revenue primarily from sales commissions, underwriting and advisory fees, and principal trading activity. As a result of this, the Company'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 2004 to fiscal 2008. Revenue declined 3.4% from fiscal 2007 to fiscal 2008 due to weaker market conditions in the last quarter of the 2008 fiscal year.

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, Real Estate, Industrial Growth and Sustainability 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 Canada based on proceeds raised, and is the leading Nominated Adviser (Nomad) and Stockbroker (Broker) on the AIM in the UK (1).

Key developments subsequent to March 31, 2008

- On April 9, 2008 Canaccord announced an ABCP related charge of $58.2 million pre-tax, $39.6 million after tax, or $0.82 per share. This charge has been recorded against Canaccord's fiscal fourth quarter 2008 earnings and consists of the Canaccord Relief Program for client-held ABCP and restructuring
- Also on April 9, 2008 Canaccord announced two senior management departures:
  - Robert Larose resigned from his position as Executive VP, Head of Private Client Services, for personal reasons
  - William Whalen, Executive VP, Head of the Fixed Income group at Canaccord, announced his retirement from Canaccord
- Paul Reynolds, President and CEO of Canaccord Capital Inc., is acting as interim Head of Private Client Services and Mark Maybank will act as interim Head of Fixed Income. They are both overseeing the process of recruiting permanent leadership for these important divisions
- In May 2008, Canaccord closed a fully underwritten financing of 6.7 million common shares at a price of $10.25 per share for total gross proceeds of $69.0 million. The net proceeds of the offering will be used for business development and general corporate purposes. Following this equity offering, Canaccord has 54.6 million common shares issued and outstanding

Awards and accomplishments

- Canaccord Adams ranked number one by the *National Post* for equity proceeds raised in Canada from January 1 to December 31, 2007 on a bonus credit to lead basis
- Canaccord Adams ranked number three by the *Globe and Mail* for equity proceeds raised in Canada from January 1 to December 31, 2007 on a credit to bookrunner(s) basis
- Canaccord Adams led 175 transactions globally, each over $1.5 million, to raise total proceeds of $6.1 billion (1) during fiscal 2008. Of this:
  - Canada led 130 transactions, which raised $3.5 billion
  - The UK led 24 transactions, which raised $2.1 billion
  - The US led 21 transactions, which raised $0.5 billion
- During fiscal 2008, Canaccord Adams participated in a total of 395 transactions globally, each over $1.5 million, to raise gross proceeds of $24.8 billion (1). Of this:
  - Canada participated in 328 transactions, which raised $19.4 billion
  - The UK participated in 29 transactions, which raised $3.1 billion
  - The US participated in 38 transactions, which raised $2.3 billion
- Canaccord Adams ranked number one in Canada in fiscal 2008 for transactions led and co-led in Healthcare and Energy, and number two for leads/co-leads in Technology (2)
- Canaccord Adams was a top ranked Broker and Nomad for AIM listed companies based on market capitalization (3)
- Canaccord Adams ranked sixth in Canada for market share in block trading of 5.6% in Q4/08, up from ninth place and 4.4% in Q4/07 (4)
- Canaccord Adams ranked seventh in Canada for market share in block trading of 4.9% in fiscal 2008, up from ninth place and 3.6% in fiscal 2007 (4)
- Canaccord Adams ranked number one (5) for 53 completed Private Investment in Public Equity (PIPE) transactions in North America that raised $912.5 million in proceeds during fiscal 2008
- In fiscal 2008, Canaccord Adams led the following equity transactions:
  - $614.5 million on AIM for Aricom plc
  - $500.0 million on TSX for Niko Resources Ltd.
  - $363.0 million on TSX for Heritage Oil Corp.

(1) Source: FP Infomart and company information
(2) Source: FP Infomart
(3) Source: Hemscott Corporate Advisors Ratings Guide – May 2008
(4) Source: Canada Equity
(5) Source: Placement Tracker; includes placements for companies incorporated in Canada and the US

- $267.0 million on TSX and AIM for First Calgary Petroleums Ltd.
- $225.0 million on TSX Venture for Rusoro Mining (BVI) Ltd.
- $201.2 million on TSX and AIM for Eastern Platinum Limited
- $185.0 million on TSX for Sentry Select Primary Metals Corp.
- $161.0 million on TSX Venture for Holloway Lodging REIT
- $110.8 million on TSX Venture for Peak Gold Ltd.
- $105.0 million on TSX Venture for Instorage REIT
- $104.9 million on AIM and TSX for Oriel Resources Plc
- $100.8 million on TSX for Aura Gold Inc.
- $100.0 million on TSX Venture for B2Gold Corp.

- Canaccord Adams led its first transactions from China on the TSX Venture, totaling $75.0 million for Hanwei Energy Services Corp.
- Canaccord Adams also advised on the following transactions during fiscal 2008:
  - Acted as a financial advisor for Yamana Gold Inc. in its $4.6 billion acquisition of Meridian Gold Inc. and Northern Orion Resources Inc.
  - Advised UrAsia Energy Ltd. on its $3.4 billion acquisition by Uranium One Inc. and was the exclusive advisor for Holloway Lodging REIT on a $215.0 million acquisition of Pomeroy Group
  - Acted as the advisor for Thunder Energy Trust on its $425 million acquisition by Overlord Financial Inc. and Public Sector Pension Investment Board
- Canaccord Adams ranked number one in the 2007 Brendan Wood's Survey (1) for providing clients with top investment ideas
- Canaccord Adams analysts won three awards at the 7th Annual StarMine Analyst Awards:
  - First for Industry Estimator in the Chemical & Utilities (including Trusts) Industry
  - Second for Industry Stock Picker in the Diversified Industrials Industry
  - Second for Industry Estimator in the Health Care Industry
- Key US highlights include:
  - Expanded PIPE and alternative financing efforts
  - The formation of a dedicated mergers and acquisitions unit focused on growth companies in the Technology, Life Sciences and Consumer sectors
  - The addition of a proven semiconductor device research analyst
  - Continued expansion of our Life Sciences practice with the successful recruitment of proven investment bankers
  - The expansion of our West Coast banking presence
- In the Investment Executive's Annual Survey of Investment Advisors' 2008 Report, Canaccord was ranked (2):
  - First for *Technology Tools and Advisor Desktop*
  - First for *Branch Managers*
  - First for *IPOs and New Issues*
  - Tied for first for *Freedom to Make Objective Product Choices*

  Despite a challenging year, Canaccord's rating remained the same in 2008 as in 2007. An improvement was seen in areas where we have focused, such as ongoing training, client account statements and the firm's consumer advertising. With continued focus on the Private Client Services division going forward, we hope to improve our score in other categories in fiscal 2009.
- Canaccord had 354 Advisory Teams as of Q4/08, down 14 from Q4/07. Beginning in Q4/08, we have changed how we report the number of Investment Advisors (IAs) in Private Client Services to reflect the composition of our advisor force. We are now reporting our IAs as Advisory Teams to reflect how the business functions. Advisory Teams are normally comprised of one or more IAs and their assistants and associates, who together manage a shared set of client accounts. In addition to this, we are no longer including Advisory Teams that are led by, or only include, an IA who has been licenced for less than three years in our Advisory Team count. These teams (also referred to as Rookie Teams) have been removed from the count to reflect the fact that it typically takes a new IA approximately three years to build an average sized book. Further to this, there is usually high turnover in rookie hires in the first three years post-licencing. The number of Advisory Teams decreased from 365 to 354 between fiscal 2006 and 2008. In Q4/08 a concerted effort was made to facilitate the sale of client books belonging to lower producing Advisory Teams and teams comprised of IAs of retirement age to in-house Teams that are comprised of IAs in the building stage of their careers
- AUA of $14.3 billion, down 4.8% from $15.0 billion in Q4/07 compared to a decline in the TSX Venture Composite Index of 21.0% and an increase in the S&P/TSX Composite Index of 1.4% for fiscal 2008

(1) Source: Brendan Wood's Institutional Equity Research, Sales and Trading performance in Canada 2007 Report
(2) Ranking among regional and national independents and bank-owned investment dealers.

- During fiscal 2008, Private Client Services implemented a new advisor managed account program known as *Private Investment Management*. Through this program, IAs who have their Associate Portfolio Manager or Portfolio Manager designation have the ability to provide discretionary management services similar to those offered by Investment Counsellors
- In Q4/08, we have revised our calculation of fee-based revenue to be consistent with the investment dealer industry calculation. Our fee-based revenue was 14.7% for fiscal 2008, up from a recalculated 11.9% in fiscal 2007. This includes fees earned in separately managed, advisor managed and fee-based accounts. We are also including mutual fund and segregrated fund trailer revenue

Market environment fiscal 2008

The market environment for fiscal 2008 was characterized by record high market and commodity prices, as well as significant volatility. Since August 2007 the list of factors weighing on the economy has increased and includes a deterioration in financial market conditions, particularly in the credit markets. Other market challenges include a rising cost of capital, persistent weakness in consumer spending and a softening labour market. In response to these events, the Canadian economy is likely heading for a slower year in calendar 2008 compared to 2007. The International Monetary Fund has downgraded its forecast for Canada's growth by half a point to 1.8% for this year. At the same time other challenges facing the economy, such as declining corporate profit growth and increasing oil prices, are likely to hamper business investment and consumer spending.

Due to the escalating risks to economic growth and the likelihood of a US recession, the central banks in North America and the UK have coordinated intervention measures to ease credit contraction by injecting market liquidity and aggressively lowering interest rates. The central banks are expected to continue to provide liquidity to reverse this downturn.

In the UK, the AIM has experienced slower growth due to both domestic monetary tightening and weaker export growth, with the effect being reinforced by the strong Euro and increasing fuel prices. As a result, GDP growth in the UK is projected to fall from 2.75% in calendar 2007 to 2% in calendar 2008.

Fiscal 2009 outlook

World economic growth will slow in calendar 2008 reflecting the decelerating growth experienced in North American and European economies. Growth in emerging economies, however, will likely keep global growth in the 3.5%–4.0% range in calendar 2008 and 2009. Many economists are forecasting continued market volatility and tighter financing conditions in North America for the majority of calendar 2008. However, equity markets should continue to show good gains as liquidity moves from safe haven assets to longer-dated assets – in particular, equities.

Overall, the expectations for future earnings growth remain high for the Canadian economy. Commodity prices are likely to weaken moderately in calendar 2008, but should remain high relative to historical levels based on demand from emerging economies such as China. This would support increased export-related revenue and income for natural resource companies, which is positive. Overall, the economy is expected to expand at a moderate pace going forward. If these conditions are realized, it would maintain Canada's relative attractiveness to domestic and international investors.

Overview of preceding years – Fiscal 2007 vs. 2006

Total revenue for the year ended March 31, 2007 was $756.9 million, up $173.5 million or 29.7% compared to fiscal 2006 and was primarily due to stronger commission, investment banking and interest revenue.

The North American major indices all increased during fiscal 2007. The S&P/TSX Composite was up 8.7% during fiscal 2007, while the TSX Venture index rose 9.4%. The US major indices also rose during fiscal 2007, with the Dow Jones Industrial Average (DJIA) up 11.2% and the NASDAQ up 3.5%. The AIM index decreased 4.4% following an increase of over 10% during fiscal 2006.

Expenses for fiscal 2007 were $618.7 million, up $154.3 million or 33.2% from fiscal 2006, reflecting increases in incentive compensation expense of $83.7 million or 28.0%, general and administrative expense of $18.0 million or 38.8%, and an increase in development expense of $11.4 million or 116.8% from fiscal 2006.

Net income for fiscal 2007 was $93.5 million, up $12.3 million or 15.2% from fiscal 2006. Diluted EPS was $1.94, up $0.20 or 11.5%. For fiscal 2007, ROE was 28.4% compared to an ROE of 33.6% in fiscal 2006.

Financial overview

Selected financial information [1]

(C$ thousands, except per share, employee and % amounts)	*2008*	*2007*	*2006*	*2008/2007 increase/(decrease)*	
		For the years ended March 31			
Canaccord Capital Inc.					
Revenue					
Commission	$ **296,047**	$ 303,672	$ 239,461	$ (7,625)	(2.5)%
Investment banking	**336,874**	350,273	266,206	(13,399)	(3.8)%
Principal trading	**7,443**	31,638	27,388	(24,195)	(76.5)%
Interest	**63,168**	57,908	36,914	5,260	9.1%
Other	**28,007**	13,423	13,446	14,584	108.6%
Total revenue	$ **731,539**	$ 756,914	$ 583,415	$ (25,375)	(3.4)%
Expenses					
Incentive compensation	**347,079**	382,897	299,188	(35,818)	(9.4)%
Salaries and benefits	**54,294**	47,608	42,019	6,686	14.0%
Other overhead expenses (2)	**207,638**	188,212	123,178	19,426	10.3%
Asset-backed commercial paper (ABCP) fair value adjustment	**12,797**	–	–	12,797	n.m.
Canaccord Relief Program and restructuring	**58,200**	–	–	58,200	n.m.
Total expenses	$ **680,008**	$ 618,717	$ 464,385	$ 61,291	9.9%
Income before income taxes	**51,531**	138,197	119,030	(86,666)	(62.7)%
Net income	**31,334**	93,456	81,150	(62,122)	(66.5)%
Earnings per share (EPS) – basic	$ **0.70**	$ 2.03	$ 1.82	$ (1.33)	(65.5)%
Earnings per share (EPS) – diluted	$ **0.64**	$ 1.94	$ 1.74	$ (1.30)	(67.0)%
Return on average common equity (ROE)	**7.9%**	28.4%	33.6%	(20.5)p.p.	
Cash dividend	$ **0.50**	$ 0.36	$ 0.28	$ 0.14	38.9%
Book value per diluted common share – period end (3)	**7.21**	7.74	5.99	(0.53)	(6.8)%
Canaccord Capital Inc. excluding ABCP adjustments (4)					
Total expenses	$ **609,011**	$ 618,717	$ 464,385	$ (9,706)	(1.6)%
Net income	**79,346**	93,456	81,150	(14,110)	(15.1)%
Earnings per share (EPS) – basic	**1.77**	2.03	1.82	(0.26)	(12.8)%
Earnings per share (EPS) – diluted	**1.63**	1.94	1.74	(0.31)	(16.0)%
Balance sheet data					
Total assets	$ **2,098,718**	$ 2,609,942	$ 2,177,973	$ (511,224)	(19.6)%
Total liabilities	**1,741,274**	2,237,751	1,890,143	(496,477)	(22.2)%
Total common equity	**357,444**	372,191	287,830	(14,747)	(4.0)%
Number of employees	**1,683**	1,590	1,488	93	5.8%

(1) Data is considered to be GAAP except for ROE, book value per diluted share, excluding ABCP adjustments 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) Book value per diluted common share, adjusted for the 6.7 million shares issued subsequent to March 31, 2008, was $7.53 per share.
(4) Data excludes ABCP adjustments of $58.2 million for Canaccord's Relief Program and restructuring and an ABCP fair value adjustment of $12.8 million.
n.m.: not meaningful
p.p.: percentage points

Revenue

Revenue for fiscal 2008 was $731.5 million, down 3.4% or $25.4 million from fiscal 2007. The decrease in revenue for the year ended March 31, 2008 is due to the overall revenue declines in both Canaccord Adams and Private Client Services resulting from challenging market conditions, particularly during Q4/08.

Commission revenue is principally generated from private client trading activity and institutional sales and trading. The $7.6 million decrease from fiscal 2007 to fiscal 2008 is the result of weak market and economic conditions during the second half of fiscal 2008. The S&P/TSX Composite Index rose 1.4% for fiscal 2008 compared to 8.7% growth in fiscal 2007 and the TSX Venture exchange declined 21.0% for fiscal 2008 compared to growth of 9.4% in fiscal 2007. The DJIA and the NASDAQ were down 0.7% and 5.9%, respectively, for fiscal 2008 and the AIM index decreased by 16.3%.

Investment banking revenue was $336.9 million, down $13.4 million or 3.8% due to decreased market activity, particularly in Canada and the UK. Principal trading revenue was $7.4 million, down 76.5% or $24.2 million due to the volatile markets.

Interest revenue of $63.2 million was up by $5.3 million or 9.1% from the prior fiscal year, because of an increase in the number and size of margin accounts and higher interest rates in Canada than in fiscal 2007. 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 $28.0 million, up 108.6%, due to gains on foreign exchange and increased revenue from Canaccord's correspondent services line of business.

Expenses as a percentage of revenue

	Years ended March 31			
	2008	*2007*	*2006*	*2008/2007 increase/ (decrease)*
Incentive compensation	**47.4%**	50.6%	51.3%	(3.2)p.p.
Salaries and benefits	**7.4%**	6.3%	7.2%	1.1p.p.
Other overhead expenses	**28.4%**	24.8%	21.1%	3.6p.p.
ABCP fair value adjustment	**1.8%**	–	–	n.m.
Canaccord Relief Program and restructuring	**8.0%**	–	–	n.m.
Total	**93.0%**	81.7%	79.6%	11.3p.p.

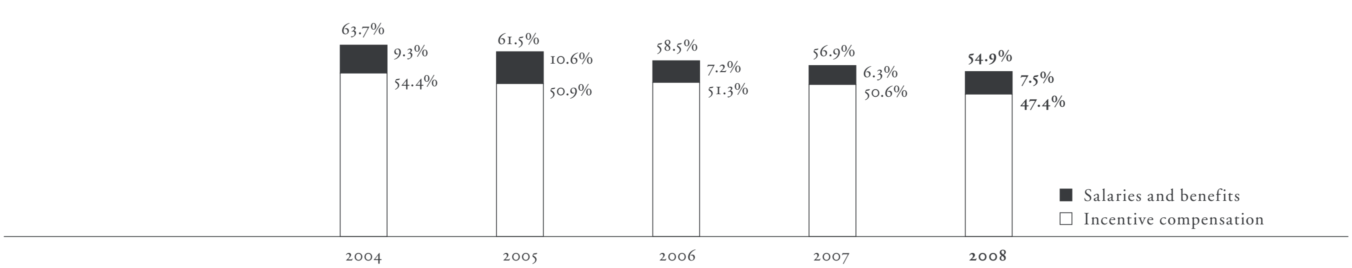
n.m.: not meaningful
p.p.: percentage points

Expenses for fiscal 2008 were $680.0 million, up 9.9% or $61.3 million from a year ago, reflecting charges of $58.2 million for the Canaccord Relief Program and restructuring and $12.8 million for fair value adjustments for Canaccord's ABCP held in treasury. Excluding these charges, expenses were down $9.7 million or 1.6%. A decrease of $35.8 million or 9.4% in incentive compensation expense was offset by increases in salaries and benefits, up $6.7 million or 14.0%, in general and administrative expenses, up $5.3 million or 8.2% and in development costs, up $10.8 million or 50.9%. The decrease in incentive compensation expense compared to the previous year is a result of lower payout based revenue in both Canaccord Adams and Private Client Services during fiscal 2008, as well as the implementation of the long term incentive plan (LTIP) program.

Incentive compensation and salaries and benefits

Incentive compensation for fiscal 2008 decreased by $35.8 million compared to fiscal 2007. This decrease was largely linked to the $25.4 million decrease in revenue. The decrease in incentive compensation is larger than the decrease in revenue as decreases in payout based revenue for fiscal 2008 were offset by increased revenue in non-payout based revenue, such as in interest, foreign exchange and revenue from Canaccord's correspondent brokerage services over fiscal 2007. Also contributing to the decrease is the implementation of the LTIP in Q1/08. Under the LTIP, a portion of the employee's annual compensation is held back to purchase Restricted Share Units (RSUs) of the Company. The RSUs are topped up by the firm and vest over three years (see page 42 of this MD&A for further details). The combination of these factors contributed to incentive compensation as a percentage of revenue declining 3.2%, from 50.6% in fiscal 2007 to 47.4% in fiscal 2008. Salary and benefits expense for fiscal 2008 increased by $6.7 million, or 14.0% from fiscal 2007, largely due to the increased contribution by the firm towards the Employee Stock Purchase Plan (ESPP). In May 2007, the matching contribution by the firm increased from a maximum of $1,500 per eligible employee to a maximum contribution of $3,000. Also contributing to the increase in salaries and benefits expense is the overall increase of 93 net new employees across the firm.

TOTAL COMPENSATION AS A % OF REVENUE



Other overhead expenses (1)

(C$ thousands, except % amounts)	2008	2007	2006	2008/2007 increase/ (decrease)
	Years ended March 31			
Trading costs	$ 27,090	$ 27,452	$ 20,615	(1.3)%
Premises and equipment	22,745	25,173	15,843	(9.6)%
Communication and technology	23,228	21,472	16,598	8.2%
Interest	24,527	20,538	10,914	19.4%
General and administrative	69,463	64,182	46,227	8.2%
Amortization	8,536	8,151	4,817	4.7%
Development costs	32,049	21,244	9,797	50.9%
Gain on disposal of investment	–	–	(1,633)	n.m.
Total other overhead expenses	$ 207,638	$ 188,212	$ 123,178	10.3%

(1) Data excludes ABCP adjustments of $58.2 million for the Canaccord Relief Program and restructuring and an ABCP fair value adjustment of $12.8 million. This is a non-GAAP measure.
n.m.: not meaningful

Other overhead expenses, excluding ABCP charges, increased by $19.4 million for fiscal 2008, which increased as a percentage of revenue by 3.6 percentage points compared to fiscal 2007. The increase in other overhead expenses is largely attributable to increases in development costs, general and administrative expense, and interest expense. Interest expense was up 19.4% or $4.0 million, general and administrative expenses were up 8.2% or $5.3 million and development costs were up 50.9% or $10.8 million due to the hiring and recruitment of staff across our geographies. The largest increases in general and administrative expense were in promotion and travel, up 19.4% or $4.8 million; client expenses, up 130.6% or $4.5 million; and professional fees, up 11.2% or $1.2 million. These increases were offset by a decrease in premises and equipment costs of $2.4 million.

Not included in other overhead expenses, but contributing to our total expenses in fiscal 2008, are a $58.2 million charge for the Canaccord Relief Program and restructuring and a fair value adjustment of $12.8 million related to the ABCP held in treasury. There are no such comparable expenses in fiscal 2007. Including this charge and adjustment, non-compensation expenses as a percent of revenue were 38.1% in fiscal 2008, up 13.3 percentage points year over year. Excluding these ABCP charges, non-compensation expenses were $207.6 million or 28.4% of revenue.

Development costs

(C$ thousands, except % amounts)	2008	2007	2006	2008/2007 increase
	Years ended March 31			
Hiring incentives	$ 25,692	$ 16,111	$ 5,404	59.5%
Systems development	6,357	5,133	4,393	23.8%
Total	$ 32,049	$ 21,244	$ 9,797	50.9%

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 $9.6 million from a year ago. Hiring incentives for Canaccord Adams were $19.3 million, up $9.3 million. Similarly, Private Client Services' fiscal 2008 hiring incentives were $6.2 million, up $0.1 million compared to fiscal 2007, and hiring incentives for the Corporate and Other segment were $0.2 million, up $0.2 million. The increase in hiring incentives is due to the recruitment of professionals for all segments of the firm and the retention costs associated with employees formerly with Adams Harkness Financial Group, Inc.

Net income for fiscal 2008 was $31.3 million, down 66.5% or $62.1 million from fiscal 2007. Diluted EPS were $0.64, down $1.30 or 67.0%. For fiscal 2008, ROE was 7.9% compared to 28.4% in fiscal 2007. Excluding the charges and adjustments related to ABCP and restructuring, net income for fiscal 2008 was $79.3 million, down 15.1% compared to fiscal 2007, and diluted EPS were $1.63, down 16.0%. Income taxes were $20.2 million for fiscal 2008, reflecting an effective tax rate of 39.2% compared to 32.4% 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 primarily due to the Canaccord Relief Program and restructuring costs that were incurred in Q4/08. These costs were incurred in calendar 2008 after the Canadian and Provincial statutory income tax rates had declined from calendar 2007. A further discussion of our taxes is provided in the Critical accounting estimates section of the MD&A on page 43.

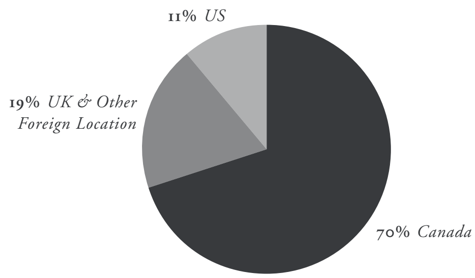
Results by geographic segment

This section is an analysis of Canaccord's results by geographic segment. Canaccord's business operations are grouped into three geographic segments: Canada, the United States (US) and the United Kingdom (UK). Revenue from the UK is derived entirely from Canaccord Adams' activity, while revenue in Canada and the US is derived from the Canaccord Adams, Private Client Services, and Corporate and Other segments.

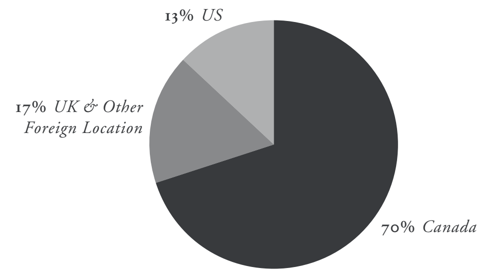
GEOGRAPHIC DISTRIBUTION OF REVENUE (1)

(For the years ended March 31)

2007



2008



Years ended March 31

	2008				2007				2006	
(C$ thousands, except number of employees and % amounts)	*Canada*	*UK and Other Foreign Location (2)*	*US*	*Total*	*Canada*	*UK and Other Foreign Location (2)*	*US*	*Total*	*Total*	*2008/2007 increase/ (decrease)*
Revenue	**$508,880**	**$128,269**	**$ 94,390**	**$ 731,539**	$ 529,906	$ 145,749	$ 81,259	$ 756,914	$ 583,415	(3.4)%
Expenses	**484,220**	**94,225**	**101,563**	**680,008**	431,274	103,140	84,303	618,717	464,385	9.9%
Income/(loss) before income taxes	**24,660**	**34,044**	**(7,173)**	**51,531**	98,632	42,609	(3,044)	138,197	119,030	(62.7)%
Number of employees	**1,395**	**125**	**163**	**1,683**	1,334	93	163	1,590	1,488	5.8%
Excluding ABCP adjustments (3)										
Total expenses	**413,223**	**94,225**	**101,563**	**609,011**	431,274	103,140	84,303	618,717	464,385	(1.6)%
Income/(loss) before income taxes	**95,657**	**34,044**	**(7,173)**	**122,528**	98,632	42,609	(3,044)	138,197	119,030	(11.3)%

(1) Data is considered to be GAAP except for excluding ABCP adjustments and number of employees.

(2) 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.

(3) Data excludes ABCP adjustments of $58.2 million for the Canaccord Relief Program and restructuring, and a total ABCP fair value adjustment of $12.8 million booked in fiscal 2008.

Revenue in Canada was $508.9 million, down $21.0 million or 4.0% reflecting weaker market conditions during fiscal 2008 compared to the prior year. In the UK and Other Foreign Location, revenue was $128.3 million, down by $17.5 million or 12.0% largely due to unfavourable market conditions in the UK relative to fiscal 2007. Revenue in the US was $94.4 million, up $13.1 million from the prior year. This increase was due to revenue growth in both sales and trading and investment banking.

Expenses for fiscal 2008 in Canada were up $52.9 million or 12.3%, which includes a $58.2 million charge for the Canaccord Relief Program and restructuring, and a $12.8 million fair value adjustment for ABCP. Excluding the ABCP charges, restructuring costs and adjustments, expenses in Canada were $413.2 million, down 4.2% relative to fiscal 2007. Expenses in the UK were down $8.9 million compared to the same period a year ago. US expenses for the period were up $17.3 million, mainly due to a $6.2 million increase in incentive compensation related to higher revenue and to an increase of $8.0 million in development costs due to the retention and recruitment of professionals.

Quarterly financial information

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2008. 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.

(C$ thousands, except per share amounts)	Fiscal 2008 Q4	Fiscal 2008 Q3	Fiscal 2008 Q2	Fiscal 2008 Q1	Fiscal 2007 Q4	Fiscal 2007 Q3	Fiscal 2007 Q2	Fiscal 2007 Q1
Revenue								
Commission	**$ 69,585**	**$ 74,959**	**$ 65,728**	**$ 85,775**	$ 87,682	$ 74,380	$ 63,556	$ 78,054
Investment banking	**49,608**	**84,910**	**73,731**	**128,625**	99,138	78,177	70,118	102,840
Principal trading	**4,168**	**387**	**(3,925)**	**6,813**	9,429	9,035	5,390	7,784
Interest	**14,574**	**16,011**	**16,273**	**16,310**	15,656	14,355	14,259	13,638
Other	**5,511**	**7,087**	**7,062**	**8,347**	4,538	2,366	2,708	3,811
Total revenue	**$143,446**	**$ 183,354**	**$ 158,869**	**$245,870**	$216,443	$ 178,313	$ 156,031	$206,127
Net income/(loss)	**(35,154)**	**15,048**	**12,411**	**39,029**	26,016	23,692	17,806	25,942
EPS – basic	**(0.80)**	**0.34**	**0.28**	**0.86**	0.57	0.51	0.39	0.57
EPS – diluted	**(0.80)**	**0.31**	**0.26**	**0.80**	0.54	0.49	0.37	0.54
Excluding ABCP adjustments (1)								
Net income	**$ 7,175**	**$ 17,833**	**$ 15,310**	**$ 39,029**				
EPS – basic	**0.16**	**0.40**	**0.34**	**0.86**				
EPS – diluted	**0.15**	**0.36**	**0.31**	**0.80**				

(1) Data excludes ABCP adjustments of $58.2 million for the Canaccord Relief Program and restructuring, and a total ABCP fair value adjustment of $12.8 million booked in fiscal 2008. This is a non-GAAP measure.

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 less than half of our annual revenue. The majority of our revenue is typically generated in the second half of our fiscal year; however, fiscal 2008 did not follow this revenue pattern. The financial markets were unusually strong during the first quarter of our fiscal year, and hence 55% of our fiscal 2008 revenue was generated during the first half of the year. The Canadian economy was strong during fiscal Q1/08 as rising commodity prices continued to boost the economy. Economic strength prompted the Bank of Canada and other global central banks to raise interest rates in order to moderate inflationary pressures.

During fiscal Q2/08, the reduction in credit market liquidity pushed credit spreads to extremely high levels and increased volatility in equity markets. Financial firms, particularly in Canada, came under pressure for holding investments in ABCP. This ABCP became illiquid during the quarter as a result of the credit market conditions, and was part of a larger global credit problem. The US economy struggled with both the global credit crunch and the continued downturn in the US housing market. The UK economy was also troubled by the global credit conditions.

During fiscal Q3/08, widespread economic and financial uncertainties further increased the volatility of global markets. Sub-prime mortgage market conditions in the US deteriorated and this accelerated the risk pricing for commercial paper and all asset-backed debt. Market conditions and fears of a US recession prompted central banks in North America, the UK and Europe to either lower interest rates or inject market liquidity. Canada maintained relatively strong economic fundamentals, including high commodity prices, healthy corporate balance sheets, a federal budget surplus, and low inflation and interest rates.

Market volatility and credit concerns continued to weigh down global markets in the fourth quarter of fiscal 2008, and the TSX, TSX Venture and AIM all experienced lower financing levels during fiscal 2008 relative to fiscal 2007. With higher volatility in the stock markets, many IPOs were delayed, resulting in a sharp decline in IPO proceeds raised. Total IPO proceeds raised on the Canadian equity markets decreased by 50.7% in fiscal Q4/08 to $148 million, down from $300 million in Q4/07. The NASDAQ experienced higher financing value in fiscal 2008 relative to fiscal 2007 but lower trading volumes. On the AIM exchange, the total financings in Canaccord's focus sectors were lower in fiscal 2008 relative to fiscal 2007. This decline was most apparent in Q4/08.

Fourth quarter 2008 performance

Revenue for Q4/08 was $143.4 million, down $73.0 million or 33.7% compared to the same period a year ago due to unfavourable market conditions during the quarter.

Expenses were $194.0 million, up $17.7 million or 10.0% from a year ago. This increase is largely attributable to a charge for the Canaccord Relief Program and restructuring of $58.2 million and the ABCP fair value adjustment of $4.2 million during the quarter. Excluding these charges, expenses were $131.6 million, down $44.7 million or 25.3%. Incentive compensation expense was $63.5 million, down 44.1% or $50.0 million, due to the decrease in payout based revenue for the quarter as well as the LTIP program.

Net loss for the fourth quarter was $35.2 million, down $61.2 million from a year ago. Diluted EPS was $(0.80), down $1.34 and ROE was (37.8)% compared to 29.0% a year ago. Excluding the ABCP charges, net income for Q4/08 was $7.2 million, down $18.8 million from a year ago, and diluted EPS were $0.15, down $0.39 from Q4/07. Book value per diluted share decreased by 6.8% to $7.21 from $7.74 a year ago, due to the decrease in retained earnings.

Business segment results (1)

	For the years ended March 31								
	2008				2007				2006
(C$ thousands, except number of employees)	*Canaccord Adams*	*Private Client Services*	*Corporate and Other*	*Total*	*Canaccord Adams*	*Private Client Services*	*Corporate and Other*	*Total*	*Total*
Revenue									
Canada	**$ 212,585**	**$ 245,711**	**$ 50,584**	**$508,880**	$ 227,324	$ 268,590	$ 33,992	$529,906	$ 437,479
UK	**128,269**	**–**	**–**	**128,269**	145,749	–	–	145,749	125,900
US	**90,788**	**3,416**	**186**	**94,390**	76,644	4,029	586	81,259	20,036
Total revenue	**431,642**	**249,127**	**50,770**	**731,539**	449,717	272,619	34,578	756,914	583,415
Expenses	**343,067**	**247,922**	**89,019**	**680,008**	338,447	202,090	78,180	618,717	464,385
Income/(loss) before income taxes	**88,575**	**1,205**	**(38,249)**	**51,531**	111,270	70,529	(43,602)	138,197	119,030
Number of employees	**541**	**762**	**380**	**1,683**	502	728	360	1,590	1,488
Excluding ABCP adjustments (2)									
Expenses	**$ 338,837**	**$ 193,022**	**$ 77,152**	**$609,011**					
Income/(loss) before income taxes	**92,805**	**56,105**	**(26,382)**	**122,528**					

(1) Data is considered to be GAAP except for excluding ABCP adjustments and number of employees. Detailed financial results for the business segments are shown in Note 17 of the consolidated financial statements on page 75.
(2) Data excludes ABCP adjustments of $58.2 million for the Canaccord Relief Program and restructuring, and an ABCP fair value adjustment of $12.8 million.

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

Canaccord Adams provides investment banking, research, and sales and trading services to corporate, institutional and government clients as well as conducting principal trading activities in Canada and the United Kingdom. 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' 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 trading operations. For fiscal 2008, total revenue was $431.6 million, down $18.1 million or 4.0% from a year ago. Fiscal 2008 expenses for Canaccord Adams were $343.1 million, up $4.6 million or 1.4% from fiscal 2007. Excluding the ABCP adjustments, expenses were $338.8 million, up 0.1% from fiscal 2007.

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 investment banking and venture capital transactions by private clients. In fiscal 2008, total revenue was $249.1 million, down $23.5 million or 8.6% from the record level a year ago. For the year, expenses for Private Client Services were $247.9 million, up $45.8 million or 22.7% from fiscal 2007. Excluding the ABCP adjustments, expenses were $193.0 million, down 4.5% year over year.

The Corporate and Other segment includes correspondent brokerage services, interest, foreign exchange revenue and expenses not specifically allocable to the Canaccord Adams and Private Client Services divisions. 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. For fiscal 2008, revenue for the Corporate and Other segment was $50.8 million, up 46.8%, while expenses grew by 13.9% to $89.0 million for the year compared to a year ago. Excluding the ABCP adjustments, expenses were $77.2 million, down 1.3% year over year.

Canaccord Adams

Overview

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 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 Other Foreign Location, and the US. Furthermore, Canadian operations include revenues generated from the following business centres: Capital Markets, International Trading, Registered Traders and Fixed Income.

Canaccord Adams has achieved several outstanding accomplishments this year, including record league table standings and our second highest revenue ever. The integration of the Canadian, UK and US teams has enhanced Canaccord Adams' global research, investment banking, and sales and trading services. In fiscal 2008, the team led 175 transactions globally for clients, each one over $1.5 million, to raise total proceeds of $6.1 billion. Also in fiscal 2008, the team participated in 395 transactions globally for clients, each one over $1.5 million, to raise total proceeds of $24.8 billion. Of this:

- Canada participated in 328 transactions, which raised $19.4 billion
- The UK participated in 29 transactions, which raised $3.1 billion
- The US participated in 38 transactions, which raised $2.3 billion

An integral part of Canaccord Adams' strategy remains geographic and sector diversification. Specifically related to sector diversification, Canaccord Adams' resource-related revenue was 64% of total revenue in fiscal 2008 versus 65% in fiscal 2007. Our balanced profile provides us with the ability to participate in the anticipated continuing commodity bull market, while providing diversification into non-resource sectors such as those listed below.

Canaccord Adams operates from 10 international offices, and provides global perspective and distribution in the following sectors:

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

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 2008, total industry trading volumes were up 10.6% on the TSX, 28.3% on the TSX Venture and 3.6% on the AIM over fiscal 2007. Although trading volumes were generally up, the industry trend to achieve best execution is expected to continue eroding 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 commissions. 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 an important opportunity to integrate transactions through our expanded distribution capability. We have also diversified into non-resource areas such as Technology, Life Sciences, Consumer, Real Estate, Industrial Growth and Sustainability to effectively create a buffer against the volatility in the resource sector.

The Canadian and global financial markets continued to experience challenges related to the global credit crunch during the first three months of calendar 2008. The resulting market volatility led to decreased equity financing and M&A activity, which is expected to continue in the near to mid-term. However, many economists have predicted that the Canadian economy will not be as negatively affected as the US. If this proves to be the case in calendar 2008, this would be generally positive for Canaccord Adams' business.

In the UK, Canaccord remains a top ranked Nomad and Broker on the AIM, providing sales and trading, research, and investment banking services to institutional and corporate clients. While the AIM has experienced lower activity levels, Canaccord's expertise has extended onto the LSE with a number of Canaccord clients moving to the LSE during the year. Additionally, Canaccord has continued to actively diversify to new sectors.

Competition across our geographies has intensified for Canaccord Adams during fiscal 2008, with many competitors increasing their global reach. Many of our peers have merged or created partnerships in order to better service clients. Canaccord Adams has a strong, established presence in the US and in Europe which we believe differentiates us from other mid-market brokers. We expect the nature of our business to continue to increase in global reach going forward.

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 diversification 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.

Financial performance (1)

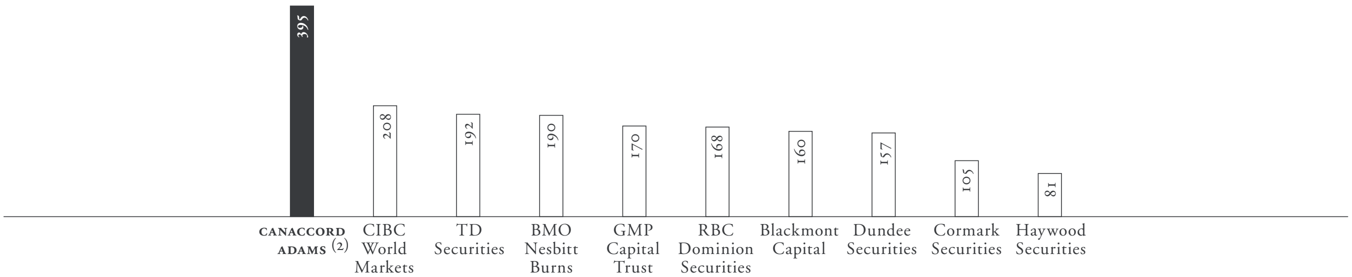
	For the years ended March 31								
	2008				2007				
(C$ thousands, except number of employees and % amounts)	Canada	UK and Other Foreign Location	US	Total	Canada	UK and Other Foreign Location	US	Total	2008/2007 increase/ (decrease)
Revenue	**$ 212,585**	**$ 128,269**	**$ 90,788**	**$ 431,642**	$ 227,324	$ 145,749	$ 76,644	$ 449,717	(4.0)%
Expenses									
Incentive compensation	**102,972**	**66,618**	**47,146**	**216,736**	115,756	77,141	40,685	233,582	(7.2)%
Salaries and benefits	**4,717**	**4,594**	**4,483**	**13,794**	2,944	3,139	5,110	11,193	23.2%
Other overhead expenses	**38,769**	**23,012**	**46,526**	**108,307**	34,352	22,860	36,460	93,672	15.6%
ABCP fair value adjustment	**3,230**	**–**	**–**	**3,230**	–	–	–	–	n.m.
Canaccord Relief Program and restructuring	**1,000**	**–**	**–**	**1,000**	–	–	–	–	n.m.
Total expenses	**$ 150,688**	**$ 94,225**	**$ 98,155**	**$ 343,067**	$ 153,052	$ 103,140	$ 82,255	$ 338,447	1.4%
Income/(loss) before income taxes	**61,897**	**34,045**	**(7,367)**	**88,575**	74,272	42,609	(5,611)	111,270	(20.4)%
Number of employees	**253**	**125**	**163**	**541**	246	93	163	502	7.8%
Excluding ABCP adjustments (2)									
Expenses	**$ 146,458**	**$ 94,224**	**$ 98,155**	**$ 338,837**	$ 153,052	$ 103,140	$ 82,255	$ 338,447	0.1%
Income/(loss) before income taxes	**66,127**	**34,045**	**(7,367)**	**92,805**	74,272	42,609	(5,611)	111,270	(16.6)%

(1) Data is considered to be GAAP except for excluding ABCP adjustments and number of employees.
(2) Data excludes ABCP adjustments of $1.0 million of the total $58.2 million for the Canaccord Relief Program and restructuring, and $3.2 million of the total ABCP fair value adjustment of $12.8 million.
n.m.: not meaningful

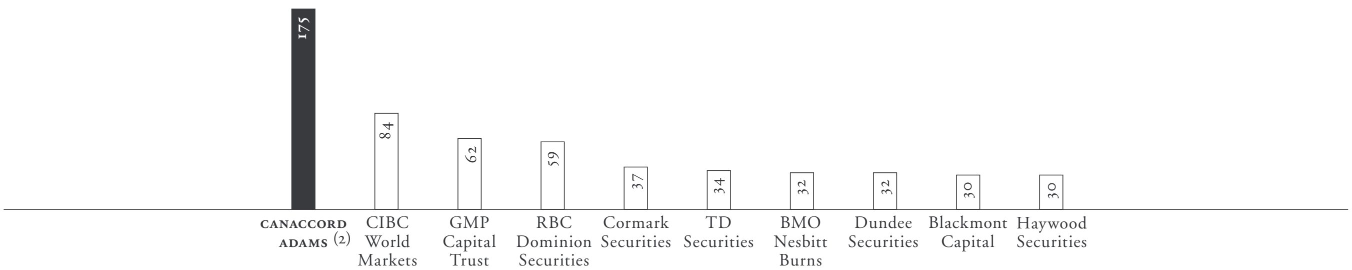
Revenue

For fiscal year 2008, revenue was $431.6 million, a decrease of 4.0% or $18.1 million from a year ago. This was due to weaker global capital markets, particularly during the last quarter of our fiscal year.

PARTICIPATION BY NUMBER OF TRANSACTIONS – EQUITY OFFERINGS OF $1.5 MILLION AND GREATER DURING FISCAL 2008 (1)



NUMBER OF LED TRANSACTIONS – EQUITY OFFERINGS OF $1.5 MILLION AND GREATER DURING FISCAL 2008 (1)



(1) Financial Post Data Group as of March 31, 2008, underwriting table of equity transactions. League table includes all transactions listed on the Canadian exchanges and all Canadian issuer transactions listed on any foreign exchanges.
(2) In addition to the transactions participated in by its Canadian operation, Canaccord's figures also include transactions by its UK and US operations.

Revenue from Canadian operations

Total revenue from Canaccord Adams' capital markets activities in Canada during fiscal 2008 was $176.7 million, a decrease of 5.8% from $187.6 million in fiscal 2007. The decrease is largely due to lower capital markets activity in North America, particularly in the last quarter of fiscal 2008. For the total Canadian market, industry proceeds raised from equity offerings for fiscal Q4/08 fell to $8.9 billion, down from $14.3 billion in the prior year.

Canaccord's International Trading group earns revenue by providing services principally to US brokerage firms, executing orders on their behalf in Canadian listed equities. Revenue in this business was $19.7 million, down $4.5 million or 18.4% from fiscal 2007. Canaccord's Registered Traders operate 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 $7.4 million, down $0.5 million or 6.5% from fiscal 2007. Canaccord also trades in fixed income securities, generating revenue through interest income and trading gains and losses. Revenue in this business was $8.8 million, up $1.1 million or 14.7% from fiscal 2007.

Revenue from UK and Other Foreign Location operations
Canaccord Adams' operations in the UK and Europe include providing institutional sales and trading, investment banking, 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 these segments was $128.3 million, a decrease of $17.5 million or 12.0% from fiscal 2007.

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, investment banking 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. Revenue generated by Canaccord Adams' operations in the US for fiscal 2008 was $90.8 million, an increase of $14.1 million or 18.5% from fiscal 2007.

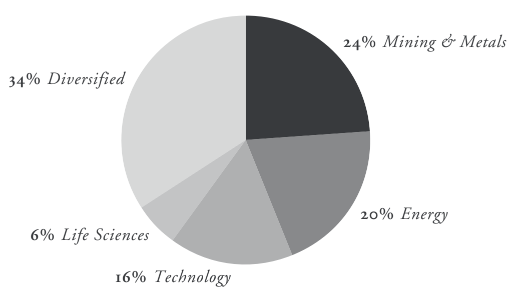
Investment banking activity
Canaccord Adams' sector mix in fiscal 2008 partially reflected the contribution of sector diversification from the US. Transactions for the Technology, Life Sciences and Diversified sectors represented 56% of total transactions for the fiscal year. With the addition of a Private Investment in Public Equity (PIPE) team in the US, this type of transaction has become an important part of our business mix. We completed 53 PIPE transactions in North America during fiscal 2008 to raise $912.5 million in proceeds, and ranked number one. We have also continued to hire key producers in our focus sectors across our geographies, which should further strengthen our competitive position going forward.

During the year, Canaccord participated in raising $24.8 billion for 395 equity offerings of $1.5 million and greater. These transactions included 44% from the Mining and Metals, and Energy sectors, due to strong global market demand for natural resources. Canaccord also participated in 184 venture capital transactions with an aggregate transaction value of over $836.5 million.

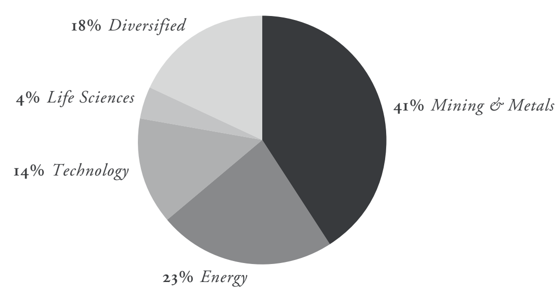
CANACCORD ADAMS – OVERALL – FISCAL 2008

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

Transactions by sector

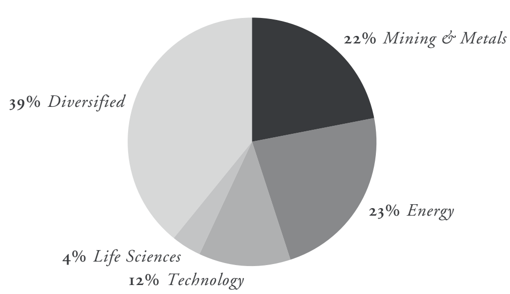


Revenue by sector

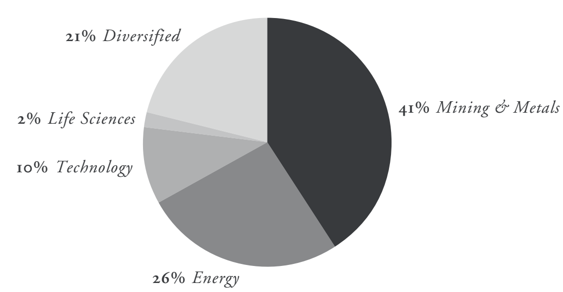


CANACCORD ADAMS – CANADA

Transactions by sector

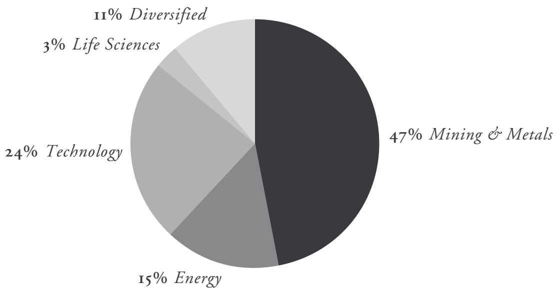


Revenue by sector

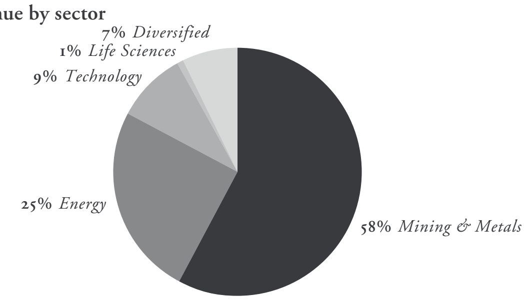


CANACCORD ADAMS — UK

Transactions by sector

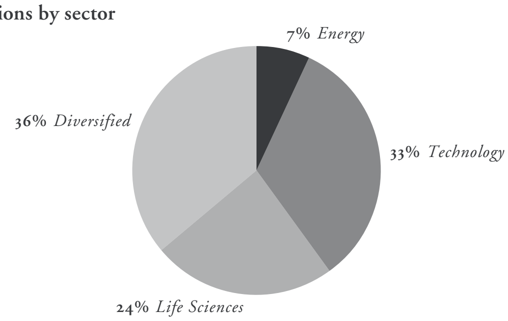


Revenue by sector

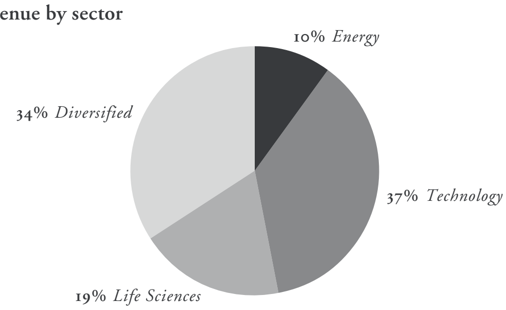


CANACCORD ADAMS — US

Transactions by sector



Revenue by sector



Equity offerings of $1.5 million and greater

(C$ billions, except number of transactions)	For the years ended March 31					
	2008		2007		2006	
Market	# of transactions	Aggregate transaction value	# of transactions	Aggregate transaction value	# of transactions	Aggregate transaction value
Canada	**328**	**19.4**	424	27.9	358	25.3
UK	**29**	**3.1**	43	2.1	56	3.3
US	**38**	**2.3**	30	2.4	6	0.5
Total	**395**	**24.8**	497	32.3	419	29.1

Sources: Financial Post Data Group and Company sources

Total revenue related to mergers & acquisitions and advisory services increased in fiscal 2008 to $41.1 million, up $10.1 million or 32.6% from $31.0 million in 2007. We will continue to invest in this service offering, as we recognize that revenue generated from mergers & acquisitions and advisory services tends to be counter-cyclical to some of our other revenue streams and can generate high margins with low capital requirements. During fiscal 2008, we formed a dedicated team in the US to focus on this important business.

Expenses

Expenses for fiscal 2008 were $343.1 million, up $4.6 million or 1.4%. This includes a $1.0 million charge for the Canaccord Relief Program and restructuring, and $3.2 million of the total fair value provision of $12.8 million in fiscal 2008 for the ABCP held in treasury. Excluding the ABCP adjustments, total expenses were up 0.1% to $338.8 million in Canaccord Adams. The largest increases in non-compensation expenses were in development costs, up $9.5 million or 88.5% and general and administrative expenses, up $5.1 million or 14.6%.

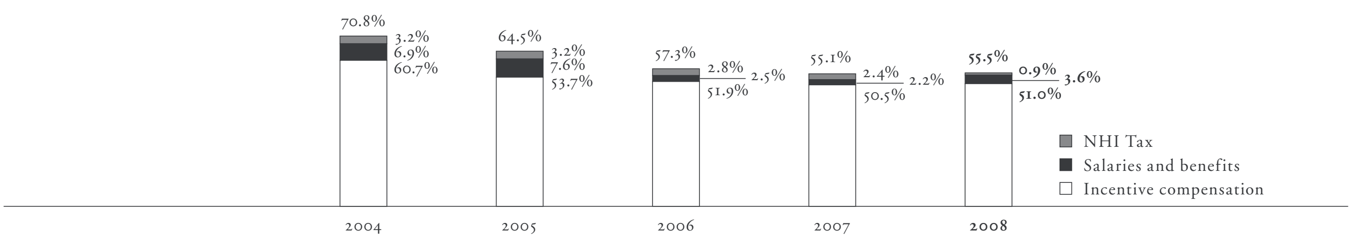
Incentive compensation and salaries and benefits

Incentive compensation for fiscal 2008 decreased by $16.8 million over fiscal 2007, which was largely linked to the $18.1 million decline in revenue as well as the long term incentive plan (LTIP) program. Salary and benefits expense for fiscal 2008 increased by $2.6 million or 23.2% from fiscal 2007. This resulted in a net decrease of $14.2 million or 5.8% in total compensation. Total compensation expense as a percentage of revenue decreased to 53.4% from 54.4% in fiscal 2007 largely due to the implementation of our LTIP during the year.

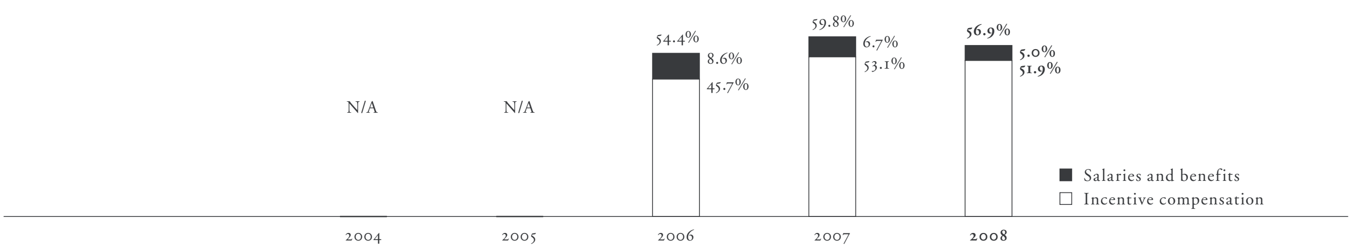
TOTAL COMPENSATION AS A % OF CANACCORD ADAMS REVENUE – OVERALL

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 increase in general and administrative expense was in promotion and travel, up $4.9 million or 28.0% to support overall corporate expansion.

Canaccord Adams' income before income taxes for fiscal 2008 was $88.6 million, a decrease of $22.7 million or 20.4% from the same period a year ago. Excluding the ABCP adjustments, income before income taxes was down 16.6% to $92.8 million versus fiscal 2007. The decline in income before taxes is largely attributed to weaker equity markets, particularly during the last quarter of fiscal 2008.

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 (PCS) 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 Advisory Teams for investment banking and venture capital transactions.

Industry profile

The Investment Industry Association of Canada (IIAC) reported that the Canadian securities industry produced record levels of revenues and profits in calendar 2007. All the industry's main business lines except for proprietary trading grew during the year. However, overall growth was lower in calendar 2007 than in calendar 2006. For the year, commission revenues remained level with calendar 2006. The shift to fee-based revenue remains an industry trend. Fee-based revenue was $2.6 billion or 15% of total industry revenue in calendar 2007, up from 10% five years ago. The industry's strong performance for the year is largely due to the strength during the first six months of calendar 2007. The calendar year ended on a positive note with solid results in the fourth quarter. In the first calendar quarter of 2008, equity markets were down substantially with the S&P/TSX Composite Index down 3.5% and the TSX Venture index down 11.3%. Historically PCS' strongest quarter, Q4/08 was in fact the weakest for fiscal 2008 as measured by PCS revenue.

Outlook

The current year was one of transition for our PCS business. Despite the challenging market conditions in fiscal Q3 and Q4, we continued to see strong demand for structured financial products other than mutual funds, such as separately managed accounts, exchange traded funds and wrap programs. In addition, we added *Private Investment Management*, our new advisor managed account program, which has already demonstrated strong growth. We believe that Canaccord's structure and entrepreneurial environment provide the flexibility for change in our product offerings. Based on the foundation built during this year of transition, we expect growth in our PCS business due to continued product development, recruiting and training efforts.

Financial performance (1)

(C$ thousands, except assets under management and assets under administration, which are in C$ millions, number of employees and Advisory Teams, and % amounts)	For the years ended March 31 2008	2007	2006	2008/2007 increase/(decrease)	
Revenue	**$ 249,127**	$ 272,619	$ 225,194	$ (23,492)	(8.6)%
Expenses					
Incentive compensation	**115,640**	126,668	105,283	(11,028)	(8.7)%
Salaries and benefits	**15,514**	13,626	13,053	1,888	13.9%
Other overhead expenses	**61,868**	61,796	45,640	72	0.1%
Canaccord Relief Program and restructuring	**54,900**	–	–	54,900	n.m.
Total expenses	**$ 247,922**	$ 202,090	$ 163,976	$ 45,832	22.7%
Income before income taxes	**1,205**	70,529	61,218	(69,324)	(98.3)%
Assets under management (AUM)	**730**	807	613	(77)	(9.5)%
Assets under administration (AUA)	**14,295**	15,014	14,310	(719)	(4.8)%
Number of Advisory Teams	**354**	368	365	(14)	(3.8)%
Number of employees	**762**	728	689	34	4.7%
Excluding ABCP adjustments (2)					
Total expenses	**$ 193,022**	$ 202,090	$ 163,976	$ (9,068)	(4.5)%
Income before income taxes	**56,105**	70,529	61,218	(14,424)	(20.5)%

(1) Data is considered to be GAAP except for numbers of Advisory Teams and employees, AUA and AUM and excluding ABCP adjustments.
(2) Data excludes $54.9 million in ABCP adjustments for the Canaccord Relief Program and restructuring.
n.m.: not meaningful

Fiscal 2008 revenue from PCS was $249.1 million, a decrease of 8.6% or $23.5 million from fiscal 2007, largely reflecting weaker markets in Q3 and Q4 relative to the previous year.

Expenses for the year were $247.9 million, an increase of 22.7% or $45.8 million from fiscal 2007. Included in PCS expenses for the year was $54.9 million for the Canaccord Relief Program and restructuring. Excluding these costs, expenses decreased 4.5% or $9.1 million. The decrease in PCS expenses is mainly attributable to decreases in incentive compensation expense and in trading cost expense. Incentive compensation was down $11.0 million, an 8.7% decrease from the prior fiscal year, mainly due to lower revenue resulting from the weaker North American equity markets in Q4/08. Total compensation payout as a percentage of revenue for fiscal 2008 was 52.6%, an increase from 51.5% for fiscal 2007, which resulted from slower growth in revenue relative to the increase in salaries and benefits. A large part of the increase in salaries and benefits was in the employee stock purchase plan expense, which increased by $0.9 million or 180.2% as a result of the doubling of the firm's matching contribution. The remainder of the increase was due to the net addition of employees.

TOTAL COMPENSATION AS A % OF REVENUE

General and administrative expenses were down $1.1 million or 7.8% mainly due to decreased promotion and travel costs, which were down $0.8 million or 19.5%. Interest expense was up $2.2 million or 12.2% due to higher interest rates and larger cash balances in our client accounts in fiscal 2008 compared to fiscal 2007.

Income before income taxes and the ABCP charges of $54.9 million for PCS was $56.1 million, a decrease of 20.5% from a year ago, reflecting weaker market activity in Q4/08.

Operational highlights

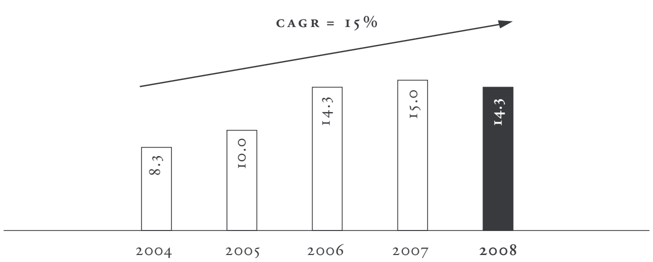
Canaccord's development of a comprehensive suite of wealth management tools continued in fiscal 2008 with the addition of advisor managed accounts under the *Private Investment Management* platform. We believe that it is important to add to our product base to maintain our growth in this area and to create an environment attractive to Advisory Teams. 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. During fiscal 2008, we recruited 25 IAs from the competition. Despite this recruitment, the number of Advisory Teams decreased from 365 to 354 between fiscal 2006 and 2008. In Q4/08 a concerted effort was made to facilitate the sale of client books belonging to lower producing Advisory Teams and teams comprised of IAs of retirement age to Advisory Teams that are comprised of IAs in the building stage of their careers.

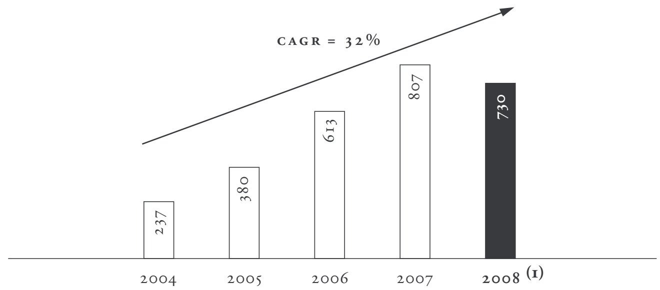
On March 31, 2008, AUA was $14.3 billion, representing a 15% compound annual growth rate (CAGR) since 2004. This growth is the result of recruiting established IAs with larger books of business, stronger equity markets and managed products. Though AUA is down from fiscal 2007, much of this decrease can be attributed to deteriorating market conditions in Q4/08.

For the 12 months ended March 31, 2008 assets under management in our managed account product line were $730 million, a decrease of 9.5% from fiscal 2007. Commencing in Q1/07, AUM has been reclassified to include all separately managed accounts in the *Alliance Program,* and advisor managed accounts in *Private Investment Management*. Prior to this Q1/07 change, AUM included only the *Independence Accounts*, part of the *Alliance Program*. In fiscal 2008, both the externally managed *Alliance Program*, to which we added Guardian Capital as a new manager late in the year and *Private Investment Management* grew strongly, adding to AUM for the year. AUM decreased in the *Independence Accounts* for fiscal 2008 due to the value-style investment approach used by the portfolio manager, which is less sought out in bull market conditions. As we come out of turbulent market conditions and see lower valuations, this style of investment management is becoming more desirable, resulting in an increase in client interest in the *Independence Accounts* product again.

ASSETS UNDER ADMINISTRATION (AUA)
(C$ billions)



ASSETS UNDER MANAGEMENT (AUM)
(C$ millions)



(1) AUM are assets managed on a discretionary basis under our programs generally described as or known as the Alliance Program *and* Private Investment Management *offered by Canaccord. Prior to Q1/07, AUM includes only the* Independence Accounts.

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. The *Alliance Program* consists of both internal and external money managers, with Canaccord's *Independence Accounts* being the largest component of the program. We have a total of nine money managers:

- AGF International Advisors
- Barometer Capital Management
- Bissett Investment Management
- Brandywine Global Investment Management
- Canaccord's Independence Accounts
- Connor, Clark & Lunn Financial Group
- Dixon Mitchell Investment Counsel
- Guardian Capital LP
- Jarislowsky Fraser Limited

We continue to develop products and services so that we can offer our Advisory Teams the freedom to present the best product mix to their clients, while reinforcing our entrepreneurial culture. During fiscal 2008, in addition to expanding the *Alliance Program*, Private Client Services implemented a new advisor managed account (AMA) program known as *Private Investment Management*. Investment Advisors who have their Associate Portfolio Manager or Portfolio Manager designation have the ability to provide discretionary management services similar to those offered by Investment Counsellors as part of this program. Additionally, we added a sophisticated suite of Portfolio Management application tools designed specifically to support our Portfolio and Associate Portfolio Managers, enabling them to efficiently run their businesses in a manner similar to that of an Investment Counsellor.

As our fee-based business continues to grow, we have decided to adjust how we report fee-based revenue to become more consistent with how other firms in the investment dealer industry calculate it. Now included in fee-based revenue are fees earned in separately managed, advisor managed and fee-based accounts, as well as mutual fund and segregated fund trailer revenue. As a result of this change, Canaccord's fee-based revenue now accounts for 14.7% of Private Client Services revenue in fiscal 2008, compared to a recalculated 11.9% in fiscal 2007.

Corporate and Other segment
Overview
The Corporate and Other segment includes Pinnacle Correspondent Brokerage Services (Canaccord's correspondent brokerage services division), interest, foreign exchange revenue, and expenses not specifically assigned to Canaccord Adams and Private Client Services. Pinnacle provides execution, clearing, settlement, custody, and front and back-office services to 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 380 employees in the Corporate and Other 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 46.

Financial performance (1)

(C$ thousands, except employee and % amounts)	For the years ended March 31 2008	2007	2006	2008/2007 increase/(decrease)	
Revenue	$ **50,770**	$ 34,578	$ 24,555	$ 16,192	46.8%
Expenses					
Incentive compensation	**14,703**	22,647	18,301	(7,944)	(35.1)%
Salaries and benefits	**24,986**	22,789	20,531	2,197	9.6%
Other overhead expenses	**37,463**	32,744	29,894	4,719	14.4%
ABCP fair value adjustment	**9,567**	–	–	–	n.m.
Canaccord Relief Program and restructuring	**2,300**	–	–	–	n.m.
Total expenses	$ **89,019**	$ 78,180	$ 68,726	$ 10,839	13.9%
(Loss) before income taxes	**(38,249)**	(43,602)	(44,171)	5,353	12.3%
Number of employees	**380**	360	335	20	5.6%
Excluding ABCP adjustments (2)					
Total expenses	$ **77,152**	$ 78,180	$ 68,726	$ (1,028)	(1.3)%
(Loss) before income taxes	**(26,382)**	(43,602)	(44,171)	17,220	39.5%

(1) Data is considered to be GAAP except for number of employees and excluding ABCP adjustments.
(2) Data excludes ABCP adjustments of $2.3 million of the total $58.2 million for the Canaccord Relief Program and restructuring, and $9.6 million of the total ABCP fair value adjustment of $12.8 million.
n.m.: not meaningful

Revenue for fiscal 2008 was $50.8 million, up $16.2 million or 46.8% from fiscal year 2007. This increase was attributable, in part, to increased revenue from Pinnacle Correspondent Brokerage Services, which has continued to add to its client base for fiscal 2008. Interest revenue also increased $5.7 million due to higher interest rates from the prior fiscal year.

Fiscal 2008 expenses were $89.0 million, up $10.8 million or 13.9%, which includes $9.6 million of the total $12.8 million ABCP fair value adjustment related to the corporately held ABCP originally in treasury and $2.3 million of the total $58.2 million charge for the Canaccord Relief Program and restructuring. Excluding the ABCP charges, expenses were $77.2 million or 1.3% lower than the prior year. Loss before income taxes was $38.2 million for fiscal 2008, an improvement of $5.4 million or 12.3%, compared to a loss of $43.6 million for the same period a year ago. Excluding the ABCP charges, loss before income taxes was $26.4 million, an improvement of $17.2 million or 39.5% over the prior year.

Operational highlights

Since our IPO in June 2004, we have focused on generating long-term growth. Pinnacle has been identified 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.

Financial condition

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

Balance sheet summary (C$ thousands)	*For the years ended March 31* 2008	2007	2006	2005	2004
Assets					
Cash and cash equivalents	**$ 435,649**	$ 506,640	$ 370,507	$ 349,700	$ 91,966
Securities owned	**92,796**	348,764	203,020	160,348	376,447
Accounts receivable	**1,422,917**	1,672,035	1,539,998	1,068,757	998,815
Other assets	**114,836**	48,570	36,519	59,360	41,138
Goodwill and other intangibles	**32,520**	33,933	27,929	–	–
Total assets	**$ 2,098,718**	$ 2,609,942	$ 2,177,973	$ 1,638,165	$ 1,508,366
Liabilities and shareholders' equity					
Bank indebtedness	**$ 15,038**	$ –	$ 4,684	$ –	$ 2,541
Securities sold short	**13,757**	41,176	37,169	105,527	281,723
Accounts payable	**1,687,479**	2,156,540	1,832,956	1,262,072	1,048,395
Other liabilities	**–**	15,035	15,334	6,737	17,878
Convertible debentures	**–**	–	–	–	20,377
Notes payable	**–**	–	–	41,618	28,765
Subordinated debt	**25,000**	25,000	–	–	10,000
Shareholders' equity	**357,444**	372,191	287,830	222,211	98,687
Total liabilities and shareholders' equity	**$ 2,098,718**	$ 2,609,942	$ 2,177,973	$ 1,638,165	$ 1,508,366

Assets

Cash and cash equivalents were $435.6 million on March 31, 2008 compared to $506.6 million on March 31, 2007. Refer to the Liquidity and capital resources section on page 41 of the MD&A for more details.

Securities owned were $92.8 million compared with $348.8 million on March 31, 2007. The decrease relates mainly to fewer financings that were committed at fiscal 2008 year end.

Accounts receivable were $1.4 billion compared with $1.7 billion on March 31, 2007, mainly due to decreases in brokers', dealers' and clients' unsettled trades at fiscal year end.

Other assets have increased by $66.3 million compared to March 31, 2007 due to the reclassification of the investment in ABCP from securities owned to long-term investment, an increase in equipment and leasehold improvements and an increase in future income tax asset.

Liabilities and shareholders' equity

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. On March 31, 2008 there was bank indebtedness of $15.0 million compared to $nil on March 31, 2007.

Accounts payable were $1.7 billion compared to $2.2 billion at March 31, 2007, due mostly to a decrease in other payables as a result of fewer financings that were committed at year end.

Other liabilities decreased by $15.0 million due to a decrease in income taxes payable.

Off-balance sheet arrangements

At March 31, 2008, Canaccord has credit facilities with banks in Canada, United States of America and United Kingdom in an aggregate amount of $493 million [March 31, 2007 – $518 million and March 31, 2006 – $339 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by either unpaid securities and/or securities owned by the Company.

A subsidiary of the Company has provided a bank letter of credit in the amount of $nil as a guarantee for lease obligations of another subsidiary of the Company [March 31, 2007 – $1.4 million and March 31, 2006 – $1.3 million]. A third subsidiary of the Company has also entered into irrevocable standby letters of credit from a financial institution totaling $2.4 million (US$2.3 million) [March 31, 2007 – $2.7 million (US$2.3 million) and 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, 2008 there were no outstanding balances under these standby letters of credit.

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

Liquidity and capital resources

Canaccord's capital in the business has historically been provided through retained earnings, the issuance 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 accumulated other comprehensive income or loss.

On March 31, 2008, cash and cash equivalents net of bank indebtedness were $420.6 million, a decrease of $86.0 million from $506.6 million as of March 31, 2007. During the fiscal year ended March 31, 2008, financing activities used cash in the amount of $54.4 million, which was primarily due to the purchase of common shares for the long term incentive plan of $27.2 million, dividend payments of $22.4 million, and a $4.6 million increase in unvested common shares purchase loans. Investing activities used cash in the amount of $59.5 million, due to investment in ABCP of $42.7 million, the purchase of equipment and leasehold improvements for $11.8 million and acquisition of long-term investment of $5.0 million. Operating activities generated cash in the amount of $40.4 million, which was due to net changes in non-cash working capital items. A further decrease in cash of $12.6 million was attributed to the effect of foreign exchange on cash balances.

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 fair value. The fair 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.

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

	Contractual obligations payments due by period				
(C$ thousands)	*Total*	*Fiscal 2009*	*Fiscal 2010–Fiscal 2011*	*Fiscal 2012–Fiscal 2013*	*Thereafter*
Premises and equipment operating leases	165,632	21,310	39,271	33,193	71,858

Outstanding share data

	Outstanding shares as of March 31	
	2008	2007
Issued shares outstanding excluding unvested shares (1)	**43,873,294**	45,973,119
Issued shares outstanding (2)	**47,835,051**	47,831,961
Issued shares outstanding – diluted (3)	**49,555,792**	48,084,304
Average shares outstanding – basic	**44,778,325**	45,969,346
Average shares outstanding – diluted (4)	**48,726,559**	48,080,531

(1) Excludes 2,339,862 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs and 1,621,895 unvested shares purchased by employee benefit trust for LTIP.
(2) Includes 2,339,862 unvested shares relating to share purchase loans for recruitment and retention programs and 1,621,895 unvested shares purchased by employee benefit trust for LTIP.
(3) Includes dilutive earned shares under our stock-based compensation plans.
(4) This is the diluted share number used to calculate diluted EPS.

On March 31, 2008 Canaccord had 47,835,051 common shares issued and outstanding, up 3,090 common shares from March 31, 2007.

Issuance of share capital

	Fiscal 2008
Total common shares issued and outstanding as of March 31, 2007	**47,831,961**
Shares issued in cash	**25,000**
Shares issued in connection with stock compensation plan	**13,217**
Shares cancelled	**(35,127)**
Total common shares issued and outstanding as of March 31, 2008	**47,835,051**

On May 2, 2008 the Company closed a fully underwritten financing of 5,855,000 common shares at a price of $10.25 per share for total gross proceeds of $60.0 million. On May 22, 2008 the underwriters exercised an over-allotment option in connection with the financing to purchase an additional 878,250 common shares at a price of $10.25 per share for gross proceeds of $9.0 million. As at June 12, 2008, the Company has 54,568,301 common shares issued and outstanding.

Canaccord's Board originally approved the implementation of a 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.

The Company renewed its NCIB in December 2007 and is entitled to acquire, from December 31, 2007 to December 30, 2008, up to 2,391,753 of its shares, which represent 5% of its shares outstanding as of December 21, 2007. There were no share transactions under the NCIB between March 31, 2007 and March 31, 2008. However, the employee benefit trust has purchased 368,529 shares for the LTIP between December 21, 2007 and March 31, 2008, which reduced the number of shares allowable under the NCIB to 2,023,224.

Stock-based compensation plans

Adams Harkness and Enermarket Retention Plans

In connection with the acquisitions of Enermarket Solutions Ltd. ("Enermarket") and Adams Harkness, two retention plans were established.

The plan for Enermarket provided for the issuance of up to 25,210 common shares of the Company over two years. The Company issued 3,949 common shares and 10,254 common shares under this plan in December 2007 and December 2006, respectively. The remaining shares have been forfeited.

On January 3, 2006 Canaccord completed the acquisition of Adams Harkness, which was a privately held Boston-based institutional investment bank. The consideration consisted of US$8.0 million in cash and the issuance of 1,342,696 common shares from treasury valued at US$12.0 million. On closing, these shares were delivered into escrow, subject to annual releases of one-third per year beginning on June 30, 2006 and ending on June 30, 2008.

In connection with the acquisition of Adams Harkness a retention plan was established, which provides for the issuance of up to 1,118,952 common shares after a three-year vesting period ending on December 31, 2008. 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 the number that is equal to the revenue earned by Canaccord Adams Inc. during the vesting period, divided by US$250.0 million, multiplied by the number of common shares subject to the retention plan. As such revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost and the applicable number of retention shares will be included in weighted average diluted common shares outstanding. At March 31, 2008 the number of common shares subject to the plan is 804,012. Development expense of $3.5 million, or 0.5% of Canaccord's annual consolidated revenue, has been recognized for the year ended March 31, 2008.

Stock options

On May 16, 2007 the Company granted 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 with an exercise price of $23.13 and a vesting period of four years. The term of the options is seven years. Compensation expense of $0.2 million has been recognized for the year ended March 31, 2008.

Long term incentive plan

The long term incentive plan (LTIP) is a new plan implemented in the first quarter of fiscal 2008. Under the LTIP, eligible participants are awarded restricted share units (RSUs) which vest over three years. For employees in Canada, an employee benefit trust (the "Trust") has been established, and either (a) the Company will fund the Trust with cash, which will be used by a trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of RSUs. For employees in the United States and the United Kingdom, at the time of each RSU award the Company will allot common shares and these shares will be issued from treasury at the time they vest for each participant. The shares issued as part of the LTIP will generally be offset by purchases under the Company's NCIB. Compensation expense of $16.9 million, or 2.3% of Canaccord's annual consolidated revenue, has been recognized for the year ended March 31, 2008.

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. The Board approved a common share dividend of $0.125 per share for Q4/08, and Canaccord intends to pay a $0.125 regular quarterly common share dividend for each quarter in fiscal 2009.

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 Activity 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, 2008 forward contracts outstanding to sell US dollars had a notional amount of US$6.0 million, down from US$12.9 million a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$3.5 million, up from US$2.5 million 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, 2008. The accounting policies described below require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements. Because of their nature, estimates require judgment based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements.

Revenue recognition and valuation of securities

Securities owned and sold short, including share purchase warrants and options, are recorded at fair 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 fair value recorded are reasonable.

Asset-backed commercial paper

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimates the fair value of its ABCP by discounting expected future cash flows on a probability weighted basis considering the best available data. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods. Refer to Note 7 in the March 31, 2008 consolidated financial statements for further details.

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 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

Capital Disclosures

The CICA has issued a new accounting standard, CICA Handbook Section 1535 "*Capital Disclosures*", which establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company will adopt Section 1535 effective April 1, 2008. The Company is currently evaluating the impact of adopting Section 1535.

Financial Instruments Disclosures

The CICA has issued two new accounting standards related to the disclosure and presentation of financial instruments. CICA Handbook Section 3862 "*Financial Instruments – Disclosures*" and CICA Handbook Section 3863 "*Financial Instruments – Presentation*" increase the emphasis on disclosures about the nature and extent of risks associated with financial instruments and how these risks are managed. Section 3862 and Section 3863 apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company will adopt these new standards effective April 1, 2008. The Company is currently evaluating the impact of adopting these two new accounting standards.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400 "*General Standards on Financial Statement Presentation*" has been amended to include requirements to assess and disclose a company's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The Company will adopt Section 1400 effective April 1, 2008. The adoption is not expected to have a material impact on the consolidated financial statements.

International financial reporting standards (IFRS)
The Canadian Accounting Standards Board has now confirmed that the use of IFRS will be required commencing 2011 for publicly accountable, profit oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended March 31, 2012 and will be required to provide information that conforms with IFRS for the comparative periods presented. The Company is currently evaluating the impact of adopting IFRS.

Change in accounting policies

On April 1, 2007 the Company adopted the provisions of CICA Handbook Section 3855 "*Financial Instruments – Recognition and Measurement*", CICA Handbook Section 3865 "*Hedges*" and CICA Handbook Section 1530 "*Comprehensive Income*".

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, available for sale assets and other financial liabilities. The financial assets and liabilities categorized as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The financial assets and liabilities classified as loans and receivables, held to maturity and other financial liabilities 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 other 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 other 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, 2008 an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the President & 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, 2008.

Internal control over financial reporting
Management, including the President & CEO and the Executive Vice President & CFO, has caused to be designed such internal control over financial reporting as defined under *National 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, 2008 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

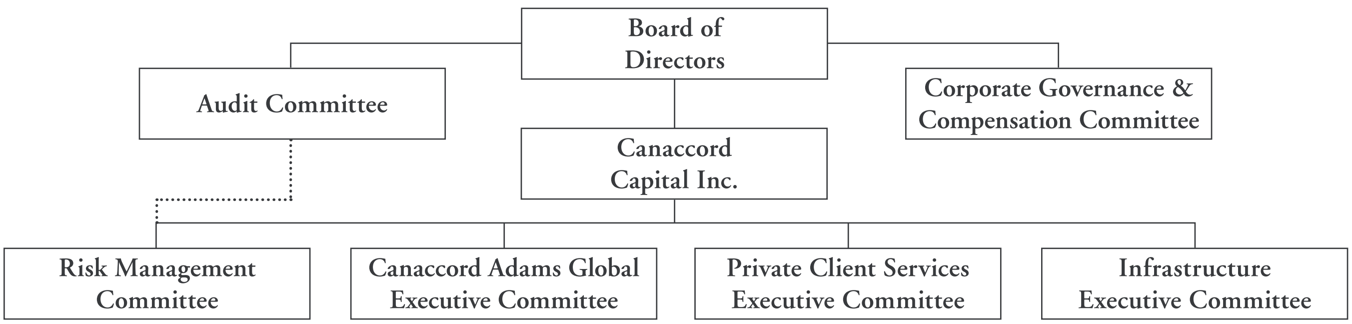
Overview

Canaccord has 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. The Risk Management Committee is led by the CFO and committee members include the CEO, COO and senior management representation from the key revenue producing businesses and functional areas of Canaccord.

Governance

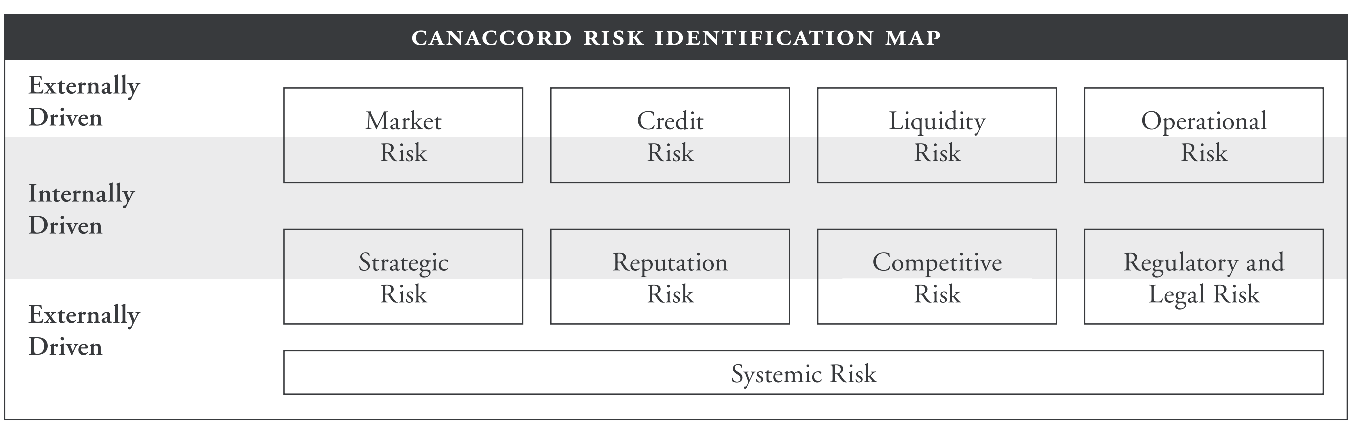
Canaccord's governance structure includes the following elements:



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, 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 and liquidity risk in respect of 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. During fiscal 2008 Canaccord implemented a firm wide Value at Risk (VaR) risk measurement system for its equity inventories. 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 43. Losses arising as a result of any declines in market prices are therefore recognized at that time and recorded as a reduction of revenue.

The Company has recorded a fair value adjustment of its investment in ABCP as a result of the uncertainties and lack of liquidity in the ABCP market.

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.

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 minimize 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 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 a 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 the use of 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 page 46 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 in general

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.

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.

Risks relating to asset-backed commercial paper

During Q2/08 a sharp contraction in credit market liquidity arose as a result of worsening conditions in the US sub-prime or high risk mortgage market. In reaction to those events, credit providers retreated and most third party ABCP conduits (including trusts and structured investment vehicles) in Canada were unable to refinance maturing obligations, thereby inhibiting liquidity for their holders of commercial paper.

At March 31, 2008 the Company held ABCP with a par value of $42.7 million and an estimated fair value of $29.9 million. At the dates the Company acquired the ABCP it was rated R1 (High) by Dominion Bond Rating Services ("DBRS"), the highest credit rating issued for commercial paper. The ABCP did not settle as it matured as a result of liquidity issues in the ABCP market. There has been no active trading of the ABCP since mid-August 2007.

On March 17, 2008 DBRS withdrew its ratings of the ABCP after the Pan-Canadian Investors Committee for Third-Party Structured ABCP (the Committee) filed an application in the Ontario Superior Court of Justice asking the Court to call a meeting of the ABCP holders to vote on the Committee Restructuring Plan (Plan). On March 20, 2008 the Committee issued an Information Statement containing the details of the Plan, which was subject to votes by all investors.

On April 25, 2008, the Plan obtained approval from the majority of the note holders.

On June 5, 2008, the Plan was approved by the Ontario Superior Court and a sanction order was made. These decisions are subject to appeal. The sanction order provides the Company with immunity from any ABCP related lawsuits except for claims based in fraud (as defined in the sanction order) and made in accordance with the procedure set out in the order. The Plan does not permit those clients of the Company who receive payment in accordance with the Canaccord Relief Program to bring such a claim against the Company.

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

The assumptions used in the valuation model include: a weighted average interest rate of 2.48%, a weighted average discount rate of 7.36%, an average maturity of notes of nine to 20 years, and credit losses of nil to 5% on rated notes, and 15% to 55% on unrated notes.

Based on these assumptions, the Company has recorded a fair value adjustment of $12.8 million for the year ended March 31, 2008.

Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods. There is a risk that the Company may not recover any of the estimated value of its investment in ABCP.

The ABCP was classified as held for trading on initial adoption of CICA Handbook Section 3855. As a result of the restructuring, the Company has also concluded that the ABCP will not be realized within a year and has accordingly reclassified the ABCP from securities owned to long-term investments.

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. Risks also include potential liability for fairness opinions and other advice Canaccord provides to participants in strategic transactions. Such advice frequently requires complex analysis and professional judgment which could give rise to subsequent disputes. 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, and we could suffer substantial reputational harm which could adversely affect future business opportunities and activity. 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, 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.

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.

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 18 on Commitments and contingencies in the audited consolidated financial statements.

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.

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, Real Estate, Industrial Growth and Sustainability 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 in prior years 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 82% from fiscal 2004 to fiscal 2008, including more than a 51% increase in revenue from the UK and Other Foreign Location operations. However, Canaccord's total revenue did decline from fiscal 2007 to fiscal 2008 by 3.4%. There can be no assurance that a certain revenue level is sustainable.

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; financial scandals; and availability of short-term and long-term funding and capital.

Significant fluctuations in quarterly results
Canaccord has experienced one quarterly loss, during Q4/08, in the past 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.

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.

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.

Limitations on access to funding and perceived liquidity issues

Liquidity, or ready access to funds, is essential to the Company and all financial services firms generally. Insufficient liquidity can be a cause of failure for financial services firms. In addition, perceived liquidity issues rather than actual liquidity problems may also be a cause of failure for such firms. Perceptions of insufficient liquidity may affect Canaccord's customers and counterparties' willingness to engage in brokerage transactions with the Company. Canaccord's liquidity could be impaired because of circumstances that the Company may be unable to control, such as operating losses, a general market disruption or operational problems.

Lack of adequate funding would also limit the Company's ability to pay dividends or to repay debt. The Company has, in the past, satisfied its need for funding from internally generated funds, sales of shares of common stock and short-term loans or term debt from third parties. While the Company currently has adequate capital and liquid resources, adequate funding may not continue to be available to the Company in the future on terms that are acceptable to the Company or at all.

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.

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.

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 Investment Industry Regulatory Organization of Canada, Financial Industry Regulatory Authority (FINRA), the Financial Services Authority (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.

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.

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.

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.

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. In all of Canaccord's locations, employees 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 is very high, 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 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 often with minimum compensation obligations and a variety of conduct policies. Canaccord attempts to retain employees with performance based and equity 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, increased investments in management and operational personnel, financial and management systems and facilities, 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.

Control risks
As of March 31, 2008, existing senior officers and director shareholders collectively owned approximately 22.5% of Canaccord's 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 4.5% 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.

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.

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.

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 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, 2008, 2007, and 2006 and the consolidated statements of operations, changes in shareholders' equity, comprehensive income 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, 2008, 2007, and 2006 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

May 16, 2008,
except for Note 7 and Note 21, which are as of June 11, 2008.

Ernst & Young LLP

Chartered Accountants

consolidated balance sheets

As at March 31 (in thousands of dollars)	***2008***	*2007*	*2006*
ASSETS			
Current			
Cash and cash equivalents	**$ 435,649**	$ 506,640	$ 370,507
Securities owned [note 3]	**92,796**	348,764	203,020
Accounts receivable [notes 5 and 16]	**1,422,917**	1,672,035	1,539,998
Income taxes receivable	**11,083**	–	–
Future income taxes [note 9]	**28,207**	11,021	10,769
Total current assets	**1,990,652**	2,538,460	2,124,294
Investment [note 6]	**5,000**	–	–
Investment in asset-backed commercial paper [note 7]	**29,860**	–	–
Equipment and leasehold improvements [note 8]	**40,686**	37,549	25,750
Goodwill and other intangible assets [notes 10 and 11]	**32,520**	33,933	27,929
	$ 2,098,718	$ 2,609,942	$ 2,177,973
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness [note 12]	**$ 15,038**	$ –	$ 4,684
Securities sold short [note 3]	**13,757**	41,176	37,169
Accounts payable and accrued liabilities [notes 5 and 16]	**1,687,479**	2,156,540	1,832,956
Income taxes payable	–	15,035	15,334
Subordinated debt [note 13]	**25,000**	25,000	–
Total current liabilities	**1,741,274**	2,237,751	1,890,143
Commitments and contingencies [note 18]			
Shareholders' equity			
Share capital [note 14]	**145,166**	156,296	157,644
Retained earnings	**222,597**	213,659	136,463
Accumulated other comprehensive income (losses) [note 2]	**(10,319)**	2,236	(6,277)
Total shareholders' equity	**357,444**	372,191	287,830
	$ 2,098,718	$ 2,609,942	$ 2,177,973

See accompanying notes

On behalf of the Board:

PETER M. BROWN
Chairman

TERRENCE A. LYONS
Director

consolidated statements of operations

Years ended March 31 (in thousands of dollars, except per share amounts)	2008	2007	2006
REVENUE			
Commission	$ 296,047	$ 303,672	$ 239,461
Investment banking	336,874	350,273	266,206
Principal trading	7,443	31,638	27,388
Interest	63,168	57,908	36,914
Other	28,007	13,423	13,446
	731,539	756,914	583,415
EXPENSES			
Incentive compensation	347,079	382,897	299,188
Salaries and benefits	54,294	47,608	42,019
Trading costs	27,090	27,452	20,615
Premises and equipment	22,745	25,173	15,843
Communication and technology	23,228	21,472	16,598
Interest	24,527	20,538	10,914
General and administrative	69,463	64,182	46,227
Amortization	8,536	8,151	4,817
Development costs	32,049	21,244	9,797
Gain on disposal of investment [note 19]	–	–	(1,633)
Asset-backed commercial paper fair value adjustment [note 7]	12,797	–	–
Canaccord Relief Program and restructuring costs [note 20]	58,200	–	–
	680,008	618,717	464,385
Income before income taxes	51,531	138,197	119,030
Income taxes (recovery) [note 9]			
Current	39,074	52,883	44,657
Future	(18,877)	(8,142)	(6,777)
	20,197	44,741	37,880
Net income for the year	$ 31,334	$ 93,456	$ 81,150
Basic earnings per share [note 14[vi]]	$ 0.70	$ 2.03	$ 1.82
Diluted earnings per share [note 14[vi]]	$ 0.64	$ 1.94	$ 1.74

See accompanying notes

consolidated statements of changes in shareholders' equity

As at March 31 (in thousands of dollars)	**2008**	2007	2006
Common shares, opening	**$ 147,900**	$ 152,705	$ 150,132
Shares issued	**495**	194	21,596
Shares cancelled	**(127)**	(45)	(1,375)
Acquisition of common shares for long term incentive plan [note 15]	**(27,247)**	–	–
Unvested share purchase loans	**(9,879)**	(4,954)	(17,648)
Common shares, closing	**111,142**	147,900	152,705
Contributed surplus, opening	**8,396**	4,939	898
Excess on redemption of common shares [note 14[iii]]	**(369)**	(38)	(460)
Excess (shortfall) on distribution of acquired common shares [note 14[v]]	**(29)**	1,623	1,315
Stock-based compensation [note 15]	**20,776**	–	–
Unvested share purchase loans	**5,250**	1,872	3,186
Contributed surplus, closing	**34,024**	8,396	4,939
Share capital	**145,166**	156,296	157,644
Retained earnings, opening	**213,659**	136,463	72,564
Net income for the year	**31,334**	93,456	81,150
Cash dividends	**(22,396)**	(16,260)	(14,455)
Excess on redemption of common shares	**–**	–	(2,796)
Retained earnings, closing	**222,597**	213,659	136,463
Accumulated other comprehensive income (losses), opening	**2,236**	(6,277)	(1,383)
Other comprehensive income (loss) [note 2]	**(12,555)**	8,513	(4,894)
Accumulated other comprehensive income (losses), closing	**(10,319)**	2,236	(6,277)
Shareholders' equity	**$ 357,444**	$ 372,191	$ 287,830

consolidated statements of comprehensive income

Years ended March 31 (in thousands of dollars)	**2008**	2007	2006
Net income for the year	**$ 31,334**	$ 93,456	$ 81,150
Other comprehensive income (loss), net of taxes			
Net change in unrealized gains (losses) on translation of self-sustaining foreign operations	**(12,555)**	8,513	(4,894)
Comprehensive income for the year	**$ 18,779**	$ 101,969	$ 76,256

See accompanying notes

consolidated statements of cash flows

Years ended March 31 (in thousands of dollars)	**2008**	2007	2006
OPERATING ACTIVITIES			
Net income for the year	**$ 31,334**	$ 93,456	$ 81,150
Items not affecting cash			
Amortization	**8,536**	8,151	4,817
Future income tax recovery	**(18,877)**	(8,142)	(6,777)
Stock-based compensation expense	**20,653**	2,594	513
Asset-backed commercial paper fair value adjustments	**12,797**	–	–
Gain on disposal of investment	**–**	–	(1,633)
Changes in non-cash working capital			
Decrease (increase) in securities owned	**254,845**	(144,716)	(43,851)
Decrease (increase) in accounts receivable	**214,848**	(96,057)	(491,473)
Increase (decrease) in securities sold short	**(27,416)**	4,011	(68,359)
Increase (decrease) in accounts payable and accrued liabilities	**(433,364)**	284,396	599,417
Increase (decrease) in income taxes payable	**(23,077)**	(1,234)	9,223
Cash provided by operating activities	**40,279**	142,459	83,027
FINANCING ACTIVITIES			
Issuance of shares for cash	**350**	–	6,574
Increase in unvested common share purchase loans	**(4,629)**	(3,377)	(14,463)
Acquisition of common shares for long term incentive plan	**(27,247)**	–	–
Redemption of share capital	**(497)**	(83)	(4,631)
Dividends paid	**(22,396)**	(16,260)	(14,455)
Decrease in notes payable	**–**	–	(41,618)
Increase in subordinated debt	**–**	25,000	–
Cash provided by (used in) financing activities	**(54,419)**	5,280	(68,593)
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements	**(11,756)**	(18,514)	(16,630)
Acquisition of investments	**(5,000)**	–	–
Investment in asset-backed commercial paper	**(42,657)**	–	–
Decrease in notes receivable	**–**	–	41,618
Proceeds on disposal of investment	**–**	–	1,639
Acquisition of subsidiaries [note 10]	**–**	–	(15,669)
Cash provided by (used in) investing activities	**(59,413)**	(18,514)	10,958
Effect of foreign exchange on cash balances	**(12,476)**	11,592	(9,269)
Increase (decrease) in cash position	**(86,029)**	140,817	16,123
Cash position, beginning of year	**506,640**	365,823	349,700
Cash position, end of year	**$ 420,611**	$ 506,640	$ 365,823
Cash position is comprised of:			
Cash and cash equivalents	**$ 435,649**	$ 506,640	$ 370,507
Bank indebtedness	**(15,038)**	–	(4,684)
	$ 420,611	$ 506,640	$ 365,823
Supplemental cash flow information			
Interest paid	**$ 24,486**	$ 20,371	$ 9,495
Income taxes paid	**$ 64,602**	$ 54,096	$ 30,192

See accompanying notes

notes to consolidated financial statements

As at March 31, 2008, 2007 and 2006 and for each of the three years ended March 31
(in thousands of dollars, except per share amounts)

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

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

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, its subsidiaries and variable interest entities where the Company is the primary beneficiary.

The Company consolidates variable interest entities ("VIEs") in accordance with the guidance provided by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15 "*Consolidation of variable interest entities*" (AcG-15). AcG-15 defines a VIE as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of equity at risk lack the characteristics of a controlling financial interest. The enterprise that consolidates a VIE is called the primary beneficiary of the VIE. An enterprise should consolidate a VIE when that enterprise has a variable interest that will absorb a majority of the entity's expected losses, or receive a majority of the entity's expected residual returns.

The Company has established an employee benefit trust [Note 15] to fulfill obligations to employees arising from the Company's stock-based compensation plan. The employee benefit trust has been consolidated in accordance with AcG-15 as it meets the definition of a VIE and a subsidiary of the Company is the primary beneficiary of the employee benefit trust.

All significant intercompany transactions and balances have been eliminated.

Use of estimates and assumptions

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include carrying value of goodwill, income taxes, contingent liabilities, fair value of asset-backed commercial paper and fair value of financial instruments.

Financial instruments

Effective April 1, 2007 the Company classifies financial instruments as one of the following categories according to CICA Handbook Section 3855 "*Financial Instruments – Recognition and Measurement*": held for trading, held to maturity, loans and receivables, available for sale assets and other financial liabilities.

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

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

The financial assets and liabilities classified as loans and receivables, held to maturity and other financial liabilities are measured at amortized cost. The Company classifies accounts receivable as loans and receivable, and accounts payable and accrued liabilities and subordinated debt as other financial liabilities. The carrying value of the loans and receivables and other financial liabilities approximates their fair value. There is no change in accounting treatment for these financial instruments as a result of adoption of Section 3855.

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

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 sold short
Securities owned and sold short are recorded at fair value based on quoted market price in an active market. Unrealized gains and losses are reflected in income. Certain securities owned have been pledged as collateral for securities borrowing transactions.

Securities lending and borrowing delivered
Securities borrowed and securities loaned are carried at the amounts of cash collateral delivered 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.

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 amount of the reporting unit with its fair value. If the carrying amount 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.

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 exchange rate in effect at the balance sheet date. 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.

Assets and liabilities of the self-sustaining foreign subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollar at rates prevailing at the balance sheet date, and income and expenses are translated at average exchange rates prevailing during the period. Unrealized gains or losses arising as a result of the translation of the foreign subsidiaries are recorded in the accumulated other comprehensive income (loss).

Income taxes
Income taxes are accounted for using the asset and liability method. This method requires that income taxes reflect the expected future tax effect of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference at rates expected to be in effect when the assets or liabilities are settled. A valuation allowance is established, if necessary, to reduce the future income tax asset to an amount that is more likely than not to be realized.

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, share issuance commitments in connection with stock compensation plans, unvested shares purchased by the employee benefit trust, and share issuance commitments in connection with the long term incentive plan based on the treasury stock method. The treasury stock method determines the number of incremental common shares by assuming that the number of shares the Company has granted to employees have been issued, and then offset by the number of common shares assumed to be repurchased under the normal course issuer bid at the average prices prevailing during the period.

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 $0.5 million [2007 – $0.7 million; 2006 – $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 graded basis. When stock-based compensation awards vest, contributed surplus is reduced by the applicable amount and share capital is increased by the same amount.

Recent accounting pronouncements
Capital Disclosures
The CICA has issued a new accounting standard, CICA Handbook Section 1535 "*Capital Disclosures*", which establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company will adopt Section 1535 effective April 1, 2008. The Company is currently evaluating the impact of adopting Section 1535.

Financial Instruments Disclosures
The CICA has issued two new accounting standards related to the disclosure and presentation of financial instruments. CICA Handbook Section 3862 "*Financial Instruments – Disclosures*" and CICA Handbook Section 3863 "*Financial Instruments – Presentation*" increase the emphasis on disclosures about the nature and extent of risks associated with financial instruments and how these risks are managed. Section 3862 and Section 3863 apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company will adopt these new standards effective April 1, 2008. The Company is currently evaluating the impact of adopting these two new accounting standards.

General Standards on Financial Statement Presentation
CICA Handbook Section 1400 "*General Standards on Financial Statement Presentation*" has been amended to include requirements to assess and disclose a company's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The Company will adopt Section 1400 effective April 1, 2008. The adoption is not expected to have a material impact on the consolidated financial statements.

International Financial Reporting Standards ("IFRS")
The Canadian Accounting Standards Board has now confirmed that the use of IFRS will be required commencing 2011 for publicly accountable, profit oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended March 31, 2012 and will be required to provide information that conforms with IFRS for the comparative periods presented. The Company is currently evaluating the impact of adopting IFRS.

2. Change in accounting policies

On April 1, 2007 the Company adopted the provisions of CICA Handbook Section 3855 "*Financial Instruments – Recognition and Measurement*", CICA Handbook Section 3861 "*Financial Instruments – Disclosure and Presentation*", CICA Handbook Section 3865 "*Hedges*" and CICA Handbook Section 1530 "*Comprehensive Income*".

Financial Instruments – Recognition and Measurement
This standard prescribes the recognition and measurement of financial instruments. Section 3855 requires that all financial assets and liabilities (including derivatives) be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on the classification of the instruments. Refer to Note 4 for transitional impact.

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. The Company does not currently apply hedge accounting and as a result Section 3865 does not apply to the Company at this time.

Comprehensive Income
This section establishes standards for the reporting and disclosure of other comprehensive income ("OCI") in a new category, accumulated other comprehensive income (losses), which will be included in 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 other comprehensive income (losses) are 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.

As a result of adopting Section 1530, the Company has disclosed the OCI in a new category, accumulated other comprehensive income (losses), which has been included in shareholders' equity on the consolidated balance sheet. The OCI is comprised of the cumulative translation adjustment arising on the translation of the financial statements of self-sustaining foreign operations. The Company has reclassified $6.3 million (2006 – $1.4 million) of cumulative translation adjustments to the opening balance of accumulated other comprehensive income (losses).

3. Securities owned and securities sold short

	2008		*2007*		*2006*	
	Securities owned	*Securities sold short*	*Securities owned*	*Securities sold short*	*Securities owned*	*Securities sold short*
Corporate and government debt	**$ 34,433**	**$ 5,106**	$ 23,786	$ 5,313	$ 40,784	$ 14,319
Equities and convertible debentures	**58,363**	**8,651**	324,978	35,863	162,236	22,850
	$ 92,796	**$ 13,757**	$ 348,764	$ 41,176	$ 203,020	$ 37,169

As at March 31, 2008, corporate and government debt maturities range from 2008 to 2053 [March 31, 2007 – 2007 to 2054; March 31, 2006 – 2006 to 2053] and bear interest ranging from 2.85% to 11.60% [March 31, 2007 – 2.75% to 11.50%; March 31, 2006 – 2.05% to 14.00%].

4. 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, 2008, 2007 and 2006, 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.

The Company has recorded a fair value adjustment of its investment in asset-backed commercial paper ("ABCP") as a result of the uncertainties and lack of liquidity in the ABCP market [Note 7].

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, 2008:

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

Forward contracts outstanding at 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)

Securities lending and borrowing

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short-term in nature, with interest being received on the cash delivered and interest being paid on the cash received. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds and are reflected within accounts receivable and accounts payable. The Company manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions. Interest earned on cash collateral is based on a floating rate. At March 31, 2008 the floating rates for equities and bonds were 1.32% and 2.95%, respectively [March 31, 2007 – 2.96% and 4.05%, respectively, and March 31, 2006 – 3.29% and 3.32%, respectively].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
2008	**$ 188,564**	**$ 84,257**	**$ 13,541**	**$ 279,550**
2007	$ 249,103	$ 71,598	$ 80,955	$ 256,555
2006	$ 201,855	$ 58,422	$ 59,929	$ 202,257

Lines of credit

At March 31, 2008 the Company has credit facilities with banks in Canada, United States of America and United Kingdom in an aggregate amount of $493 million [March 31, 2007 – $518 million and March 31, 2006 – $339 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities are collateralized by either unpaid securities and/or securities owned by the Company.

A subsidiary of the Company has provided a bank letter of credit in the amount of $nil as a guarantee for lease obligations of another subsidiary of the Company [March 31, 2007 – $1.4 million and March 31, 2006 – $1.3 million]. A third subsidiary of the Company has also entered into irrevocable standby letters of credit from a financial institution totalling $2.4 million (US$2.3 million) [March 31, 2007 – $2.7 million (US$2.3 million) and 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, 2008 there were no outstanding balances under these standby letters of credit.

5. Accounts receivable and accounts payable and accrued liabilities

Accounts receivable

	2008	2007	2006
Brokers and investment dealers	**$ 425,038**	$ 571,461	$ 567,308
Clients	**555,935**	694,123	607,118
RRSP cash balances held in trust	**400,603**	349,932	320,766
Other	**41,341**	56,519	44,806
	$ 1,422,917	$ 1,672,035	$ 1,539,998

Accounts payable and accrued liabilities

	2008	2007	2006
Brokers and investment dealers	**$ 407,193**	$ 442,828	$ 397,733
Clients	**1,037,860**	1,212,464	1,172,511
Other	**242,426**	501,248	262,712
	$ 1,687,479	$ 2,156,540	$ 1,832,956

Accounts payable to clients include $400.6 million [2007 – $349.9 million; 2006 – $320.8 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, 2008 – 7.25%–8.00% and 0.25%–2.25%, respectively; March 31, 2007 – 8.00%–10.25% and 2.26%–3.00%, respectively; and March 31, 2006 – 7.50%–9.50% and 1.50%–2.50%, respectively].

6. Investment

	2008	2007	2006
Available for sale	$ 5,000	$ –	$ –

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

7. Investment in asset-backed commercial paper

	2008	2007	2006
Investment in asset-backed commercial paper	$ 29,860	$ –	$ –

At March 31, 2008 the Company held third party ABCP with a par value of $42.7 million and an estimated fair value of $29.9 million. At the dates the Company acquired the ABCP it was rated R1 (High) by Dominion Bond Rating Services ("DBRS"), the highest credit rating issued for commercial paper. The ABCP did not settle as it matured as a result of liquidity issues in the ABCP market. There has been no active trading of the ABCP since mid-August 2007.

On March 17, 2008 DBRS withdrew its ratings of the ABCP after the Pan-Canadian Investors Committee for Third-Party Structured ABCP (the "Committee") filed an application in the Ontario Superior Court of Justice asking the Court to call a meeting of the ABCP holders to vote on the Committee Restructuring Plan (the "Plan"). On March 20, 2008 the Committee issued an Information Statement containing the details of the Plan, which was subject to votes by all investors.

On April 25, 2008, the Plan obtained approval from the majority of the note holders.

On June 5, 2008, the Plan was approved by the Ontario Superior Court and a sanction order was made. These decisions are subject to appeal. The sanction order provides the Company with immunity from any ABCP related lawsuits except for claims based in fraud (as defined in the sanction order) and made in accordance with the procedure set out in the order. The Plan does not permit those clients of the Company who receive payment in accordance with the Canaccord Relief Program to bring such a claim against the Company.

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

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

  Class A-1, Class A-2 and Class B Notes will bear interest at the BA rate less 0.50% and Class C Notes will bear interest at 20%. These notes will mature in approximately 9 years. The senior notes are expected to be rated "AA" by DBRS while the subordinated notes will be unrated.
- $8.7 million of MAV3 Traditional Asset ("TA") and Ineligible Asset ("IA") Tracking Notes

  The TA and IA Tracking Notes will bear interest at the rate equal to the net rate of return generated by the related specific tracking assets. The maturities of the notes will range between 13 years and 29 years. These notes will likely be unrated.
- $1.1 million of MAV2 IA Tracking Notes

  The IA Tracking Notes will bear interest at the rate equal to the net rate of return generated by the related specific tracking assets. The maturities of the notes will range between 5 years and 31 years. The IA Tracking Notes will not be rated.

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

The assumptions used in the valuation model include:

Weighted average interest rate	2.48%
Weighted average discount rate	7.36%
Maturity of notes	9 years to 20 years
Credit losses	rated notes nil to 5% unrated notes 15% to 55%

Based on these assumptions, the Company has recorded a fair value adjustment of $12.8 million for the year ended March 31, 2008.

Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods.

The ABCP was classified as held for trading on initial adoption of Section 3855. As a result of the restructuring, the Company has also concluded that the ABCP will not be realized within a year and has accordingly reclassified the ABCP from securities owned to long-term investments.

8. Equipment and leasehold improvements

	Cost	Accumulated amortization	Net book value
2008			
Computer equipment	**$ 5,354**	**$ 3,768**	**$ 1,586**
Furniture and equipment	**22,758**	**11,255**	**11,503**
Leasehold improvements	**46,124**	**18,527**	**27,597**
	$ 74,236	**$ 33,550**	**$ 40,686**
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

9. Income taxes

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

	2008	2007	2006
Assets:			
Legal settlements	**$ 1,768**	$ 1,304	$ 1,814
Unpaid remuneration	**2,723**	4,990	1,368
Unamortized forgivable loans	**2,862**	1,903	640
Unamortized capital cost of equipment and leasehold improvements over their net book value	**712**	1,451	1,201
Loss carryforwards	**5,162**	5,840	6,916
Share issuance (IPO) costs	**432**	967	1,519
Long term incentive plan	**5,822**	–	–
Reserve for Canaccord Relief Program and restructuring costs	**18,268**	–	–
Lease impairment and deferred rent	**3,014**	5,935	4,708
Other	**2,867**	1,135	8
	43,630	23,525	18,174
Liabilities:			
Unrealized gain on marketable securities	**971**	2,034	1,915
Deferred charges	**424**	604	252
Other intangible assets	**1,060**	2,219	2,085
Other	**367**	207	–
	2,822	5,064	4,252
Valuation allowance	**(12,601)**	(7,440)	(3,153)
Future income tax assets	**$ 28,207**	$ 11,021	$ 10,769

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 fiscal 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 10[ii]].

Subsidiaries of the Company have accumulated non-capital losses for income tax purposes totalling $9.4 million (2007 – $11.3 million and 2006 – $16.3 million), which are available to reduce taxable income in future years. These losses begin expiring in 2025 (2007–2024).

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:

		2008		2007		2006
Income taxes at the statutory rate	**$**	**17,487**	$	47,692	$	41,059
Less: International Finance Business recovery of provincial taxes		**(1,200)**		(1,355)		(1,264)
Less: Difference in tax rates in foreign jurisdictions		**(3,452)**		(5,411)		(2,662)
Non-deductible items affecting the determination of taxable income		**2,396**		3,815		747
True-up of US FIT asset		**(195)**		3,192		–
Change in valuation allowance		**5,161**		4,248		–
Change in pre-acquisition valuation allowance		**–**		(7,440)		–
Income tax expense – current and future	**$**	**20,197**	$	44,741	$	37,880

10. 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 $3.1 million, 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 operates 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 of $0.2 million have been paid to key employees of Enermarket and its senior management. The retention plan involved the issuance of up to 25,210 common shares of the Company over two years. The Company issued 3,949 common shares and 10,254 common shares under this plan in December 2007 and December 2006, respectively. The remaining shares have been forfeited [Note 15].

[ii] Adams Harkness Financial Group, Inc.

On January 3, 2006 the Company acquired a 100% interest in Adams Harkness Financial Group, Inc. ("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. operates 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$10.7 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 15].

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 allocation 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 9]. The aggregate consideration was 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

11. Goodwill and other intangible assets

	2008	2007	2006
Goodwill	**$ 30,070**	$ 30,070	$ 22,653
Other intangible assets			
Balance, beginning of year	**3,863**	5,276	–
Acquisitions	**–**	–	5,650
Amortization	**1,413**	1,413	374
Balance, end of year	**2,450**	3,863	5,276
	$ 32,520	$ 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 lives of four years. Goodwill and other intangible assets relate to the Canaccord Adams operating segment.

12. Bank indebtedness

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by either unpaid client securities and/or securities owned by the Company. As at March 31, 2008 the Company has a balance of $15,038 outstanding [March 31, 2007 – $nil and March 31, 2006 – $4,684]. Interest on the bank indebtedness is at a floating rate of 5.75% as at March 31, 2008 [March 31, 2007 – 4.70% and March 31, 2006 – 4.00%].

13. Subordinated debt

	2008	2007	2006
Loan payable, interest payable monthly at prime + 2% per annum, due on demand	$ 25,000	$ 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.

14. Share capital

	2008	2007	2006
Share capital			
Common shares	$ 173,799	$ 173,431	$ 173,282
Unvested share purchase loans	(35,410)	(25,531)	(20,577)
Acquisitions of common shares for long term incentive plan	(27,247)	–	–
Contributed surplus	34,024	8,396	4,939
	$ 145,166	$ 156,296	$ 157,644

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, 2006	47,827,350	$ 173,282
Shares issued in connection with stock compensation plan [note 15]	17,133	194
Shares cancelled [note 14[iii]]	(12,522)	(45)
Balance, March 31, 2007	47,831,961	173,431
Shares issued for cash	25,000	350
Shares issued in connection with stock compensation plan [note 15]	13,217	145
Shares cancelled	(35,127)	(127)
Balance, March 31, 2008	**47,835,051**	**$ 173,799**

The Company renewed its normal course issuer bid ("NCIB") on December 24, 2007 and is entitled to acquire from December 31, 2007 to December 30, 2008, up to 2,391,753 of its shares, which represented 5% of its shares outstanding as of December 21, 2007. There were no share transactions under the NCIB between March 31, 2007 and March 31, 2008. However, the employee benefit trust purchased 368,529 shares for the long term incentive plan from December 31, 2007 to March 31, 2008, which reduced the number of shares allowable under the NCIB to 2,023,224.

[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.

	2008	2007	2006
Redemption price	$ 497	$ 83	$ 4,631
Book value	128	45	1,375
Excess on redemption of common shares	$ 369	$ 38	$ 3,256

[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 of up to five years. The difference between the unvested and unamortized values is included in contributed surplus.

[v] Distribution of acquired common shares

In December 2007, the Company repurchased 79,149 common shares for $1.1 million from departed employees as settlement of the unvested portion of forgivable loans. A total of 44,022 common shares were subsequently distributed to existing employees at the market price of $14.01 per share for cash proceeds of $0.6 million. The shortfall on distribution of $29 has been charged against contributed surplus. The Company has cancelled the remaining 35,127 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.

[vi] Earnings per share

	2008	2007	2006
Basic earnings per share			
Net income for the year	$ 31,334	$ 93,456	$ 81,150
Weighted average number of common shares (number)	44,778,325	45,969,346	44,606,134
Basic earnings per share	$ 0.70	$ 2.03	$ 1.82
Diluted earnings per share			
Net income for the year	$ 31,334	$ 93,456	$ 81,150
Weighted average number of common shares (number)	44,778,325	45,969,346	44,606,134
Dilutive effect of unvested shares (number)	2,339,862	1,858,842	1,903,119
Dilutive effect of share issuance commitment in connection with retention plan (number) [note 15]	494,825	252,343	190,051
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 15]	733,689	–	–
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 15]	379,858	–	–
Adjusted weighted average number of common shares (number)	48,726,559	48,080,531	46,699,304
Diluted earnings per share	$ 0.64	$ 1.94	$ 1.74

15. Stock-based compensation plans

Retention plans

As described under Notes 10[i] and 10[ii], in connection with the acquisitions of Enermarket and Adams Harkness, the Company established two retention plans.

The plan for Enermarket provided for the issuance of up to 25,210 common shares of the Company over two years. The Company issued 3,949 common shares and 10,254 common shares under this plan in December 2007 and December 2006, respectively [Note 14[ii]]. The remaining shares have been forfeited.

The plan for Adams Harkness provided 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. 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 14[vi]]. The Company has expensed $3.5 million, $2.4 million and $0.5 million for the years ended March 31, 2008, 2007 and 2006. At March 31, 2008 the number of common shares subject to the plan is 804,012.

The Company issued 9,268 common shares during the year ended March 31, 2008 and 6,879 common shares during the year ended March 31, 2007 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 14[ii]]. Under the fair value method the aggregate costs of the grants made under the Adams Harkness retention plan are estimated to be $11.0 million (US$10.7 million).

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

	2008	2007	2006
Number of common shares subject to the Enermarket retention plan:			
Beginning of year	**10,254**	25,210	–
Issued	**(3,949)**	(10,254)	–
Adjustments and forfeitures	**(6,305)**	(4,702)	–
Grants	**–**	–	25,210
End of year	**–**	10,254	25,210
Shares vested at end of year	**3,949**	10,254	–
Number of common shares subject to the Adams Harkness retention plan:			
Beginning of year	**953,107**	1,046,219	–
Issued	**(9,268)**	(6,879)	–
Grants	**–**	72,733	1,118,952
Forfeitures	**(139,827)**	(158,966)	(72,733)
End of year	**804,012**	953,107	1,046,219
Shares vested at end of year	**–**	–	–
Number of common shares subject to the employee treasury stock purchase plan:			
Beginning of year	**–**	276,776	–
Issued	**–**	(92,259)	–
Buyback	**–**	(184,517)	–
Grants	**–**	–	276,776
End of year	**–**	–	276,776

Stock options

On May 16, 2007 the Company granted 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 with an exercise price of $23.13 and a vesting period of four years. The term of the options is seven years. The fair value of the stock options has been estimated on grant date using the Black-Scholes option pricing model with the following assumptions:

	May 2007 grant
Dividend yield	1.80%
Expected volatility	30.00%
Risk-free interest rate	4.25%
Expected life	5 years

Compensation expense of $168 has been recognized for the year ended March 31, 2008.

A summary of stock options outstanding is as follows:

	2008	2007	2006
Beginning of year	**–**	–	–
Grants	**125,000**	–	–
End of year	**125,000**	–	–

Long term incentive plan

The long term incentive plan ("LTIP") is a new plan implemented in the first quarter of fiscal 2008. Under the LTIP, eligible participants are awarded restricted share units ("RSUs") which vest over three years. For employees in Canada, an employee benefit trust (the "Trust") has been established, and either (a) the Company will fund the Trust with cash, which will be used by a trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of RSUs. For employees in the United States and the United Kingdom, at the time of each RSU award the Company will allot common shares and these shares will be issued from treasury at the time they vest for each participant. The shares issued as part of the LTIP will generally be offset by purchases under the Company's NCIB.

There were 2,221,578 RSUs granted in lieu of cash compensation to employees during the year ended March 31, 2008. The Trust has purchased $27.2 million of common shares for the year ended March 31, 2008 [Note 14].

The cost of the RSUs is amortized over the vesting period of three years. Compensation expense of $16.9 million has been recognized for the year ended March 31, 2008.

	2008	2007	2006
Awards outstanding, beginning of year	**–**	–	–
Grants	**2,221,578**	–	–
Vested	**–**	–	–
Awards outstanding, end of year	**2,221,578**	–	–

	2008	2007	2006
Common shares held by Trust, beginning of year	**–**	–	–
Acquired	**1,621,895**	–	–
Released on vesting	**–**	–	–
Common shares held by Trust, end of year	**1,621,895**	–	–

16. 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:

	2008	2007	2006
Accounts receivable	**$ 48,521**	$ 49,694	$ 34,582
Accounts payable and accrued liabilities	**$ 64,945**	$ 85,795	$ 88,506

17. Segmented information

The Company operates in two industry segments as follows:

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

	Canaccord Adams	Private Client Services	Corporate and Other	Total
2008				
Revenues	**$ 431,642**	**$ 249,127**	**$ 50,770**	**$ 731,539**
Expenses	**318,981**	**239,929**	**80,513**	**639,423**
Amortization	**3,878**	**1,833**	**2,825**	**8,536**
Development costs	**20,208**	**6,160**	**5,681**	**32,049**
Income (loss) before income taxes	**$ 88,575**	**$ 1,205**	**$ (38,249)**	**$ 51,531**
2007				
Revenues	$ 449,717	$ 272,619	$ 34,578	$ 756,914
Expenses	323,803	194,371	71,148	589,322
Amortization	3,921	1,648	2,582	8,151
Development costs	10,723	6,071	4,450	21,244
Income (loss) before income taxes	$ 111,270	$ 70,529	$ (43,602)	$ 138,197
2006				
Revenues	$ 333,666	$ 225,194	$ 24,555	$ 583,415
Expenses	228,534	158,235	63,002	449,771
Amortization	1,910	1,439	1,468	4,817
Development costs	1,239	4,302	4,256	9,797
Income (loss) before income taxes	$ 101,983	$ 61,218	$ (44,171)	$ 119,030

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):

	2008	2007	2006
Canada			
Revenue	**$ 508,880**	$ 529,906	$ 437,479
Equipment and leasehold improvements	**25,229**	22,821	21,635
Goodwill and other intangible assets	**4,083**	4,334	4,584
United Kingdom			
Revenue	**$ 118,332**	$ 129,852	$ 125,900
Equipment and leasehold improvements	**8,161**	9,788	1,539
United States			
Revenue	**$ 94,390**	$ 81,259	$ 20,036
Equipment and leasehold improvements	**7,296**	4,940	2,576
Goodwill and other intangible assets	**28,437**	29,599	23,345
Other Foreign Location			
Revenue	**$ 9,937**	$ 15,897	$ –

18. 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:

	$
2009	21,310
2010	20,568
2011	18,703
2012	16,968
2013	16,225
Thereafter	71,858
	165,632

Contingencies

The Company, in the normal course of business as an investment dealer, is involved in litigation and as of March 31, 2008, 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 Québec 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] In 2001, a wrongful dismissal action was commenced in the Ontario Superior Court of Justice against the Company. The plaintiff sought 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 $2.8 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 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. After March 31, 2008, this action was settled.

[iv] Seven clients of a subsidiary of the Company have commenced legal actions against the Company with respect to their investments in ABCP. Of these seven clients, four hold $1.0 million or less of ABCP and will be eligible under the Canaccord Relief Program if it is implemented. In addition, one legal action has been commenced against a subsidiary of the Company by the client of an introducing broker for which a subsidiary of the Company acts as a carrying broker. The Company has been advised that this client is eligible under an ABCP relief program established by the introducing broker. Although the outcome of these actions cannot be predicted with certainty, a subsidiary of the Company believes these claims are without merit and intends to defend itself vigorously in each case. As currently drafted, the ABCP Plan provides for a declaratory release that would result in the release of the claim against a subsidiary of the Company in each of the eight pending lawsuits described above as well as any future ABCP-related claims against a subsidiary of the Company.

19. 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 Montréal.

20. Canaccord Relief Program and restructuring costs

On April 9, 2008 the Company announced the details of the Canaccord Relief Program and management restructuring that includes the repurchase of up to $138 million of restructured ABCP at par value from clients who hold $1 million or less. The Canaccord Relief Program is dependent on successful restructuring of the third party ABCP market, and combines a market bid from third party sources with a Company-funded top-up to achieve par value. Clients will be entitled to receive any unpaid interest to the extent it is available under the restructuring plan and the Company will reimburse the clients for any restructuring costs borne by the clients.

Although the details of the Canaccord Relief Program and restructuring were announced in April 2008, management had committed to its relief program to clients and its restructuring plan at March 31, 2008. Accordingly, the Company recorded an expense of $54.2 million for the relief program and $4.0 million for the restructuring costs for the year ended March 31, 2008.

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

21. Subsequent events

On June 11, 2008 the Board of Directors declared a common share dividend of $0.125 per share payable on July 3, 2008, with a record date of June 24, 2008.

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

22. Comparative figures

Certain comparative figures have been reclassified to conform to the consolidated fiscal 2008 financial statement presentation.

supplemental information (10)

Advisory note: *This supplementary information is not audited and contains non-GAAP information and should be read in conjunction with the financial statements contained herein.*

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)

	2008	2007	2006	2005	2004
Financial results					
Revenue	$ 731,539	$ 756,914	$ 583,415	$ 432,778	$ 402,157
Expenses	680,008	618,717	464,385	360,022	339,600
Income taxes	20,197	44,741	37,880	24,177	22,128
Net income	31,334	93,456	81,150	48,579	40,429
Business segment					
Income before income taxes					
Canaccord Adams (1)	88,575	111,270	101,983	65,919	57,268
Private Client Services	1,205	70,529	61,218	50,672	57,345
Other	(38,249)	(43,602)	(44,171)	(43,835)	(52,056)
Geographic segment					
Income before income taxes					
Canada (2)	24,660	98,632	73,937	42,330	46,643
UK and Other Foreign Location (3)	34,044	42,609	41,937	30,426	15,914
US (4)	(7,173)	(3,044)	3,156	–	–
Client assets information ($ millions)					
Assets under management	730	807	613	380	237
Assets under administration	14,295	15,014	14,310	9,967	8,292
Common share information					
Per share ($)					
Basic earnings (loss)	0.70	2.03	1.82	1.17	1.43
Diluted earnings (loss)	0.64	1.94	1.74	1.11	1.12
Book value per diluted share (5)	7.21	7.78	5.99	4.82	2.59
Share price ($)					
High	25.92	27.50	21.25	11.10	–
Low	8.60	15.80	9.00	7.96	–
Close	9.80	22.12	20.80	10.48	–
Shares outstanding (thousands)					
Basic	43,873	45,973	45,746	45,413	29,983
Basic plus unvested	47,835	47,832	47,827	46,129	38,089
Diluted	49,556	48,084	47,827	46,129	38,089
Average basic	44,778	45,969	44,606	41,635	28,298
Average diluted	48,727	48,081	46,699	44,188	37,096
Market capitalization (thousands)	485,649	1,063,625	998,762	483,435	n.m.
Financial measures					
Dividends per share	$ 0.50	$ 0.36	$ 0.28	$ 0.26	$ –
Special distributions per share (6)	–	–	–	0.15	–
Dividend yield (closing share price) (6)	5.1%	1.6%	1.3%	2.5%	–
Dividend payout ratio (6)	78.3%	18.5%	16.2%	24.7%	–
Total shareholder return (7)	(55.5)%	8.3%	103.4%	5.5%	–
Annualized ROE / ROCE	7.9%	28.4%	33.6%	23.9%	43.5%
Price to earnings multiple (8)	15.8	11.4	12.0	9.5	–
Price to book ratio (9)	1.4	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 global capital markets division of Canaccord Capital Corporation (USA), Inc. in the US.
(2) Canada geographic segment includes operations for Canaccord Adams (a division of Canaccord Capital Corporation), Private Client Services 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 capital markets operations, delivered through Canaccord Adams Inc., US Private Client Services, delivered through Canaccord Capital Corporation (USA), Inc., and US Other operations, also delivered through Canaccord Capital Corporation (USA), Inc., which 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 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) Certain non-GAAP measures are utilized by the Company as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are: return on average capital employed (ROCE), return on average common equity (ROE), compensation expenses as % of revenue, non-compensation expenses as % of revenue, dividend yield, dividend payout ratio, total shareholder return, price to earnings multiple (P/E) and price to book ratio (P/B).
n.m.: not meaningful

Condensed consolidated statement of operations and retained earnings

For the year ended March 31 (C$ thousands, except per share amounts and financial measures)	2008	2007	2006	2005	2004
Revenue					
Commission	$ 296,047	$ 303,672	$ 239,461	$ 168,978	$ 162,242
Investment banking	336,874	350,273	266,206	214,450	188,001
Principal trading	7,443	31,638	27,388	13,584	27,513
Interest	63,168	57,908	36,914	26,488	15,853
Other	28,007	13,423	13,446	9,278	8,548
	$ 731,539	$ 756,914	$ 583,415	$ 432,778	$ 402,157
Expenses					
Incentive compensation (1)	$ 347,079	$ 382,897	$ 299,188	$ 220,454	$ 218,802
Salaries and benefits	54,294	47,608	42,019	45,715	37,193
Trading costs	27,090	27,452	20,615	16,863	17,310
Premises and equipment	22,745	25,173	15,843	11,849	13,017
Communication and technology	23,228	21,472	16,598	14,037	12,290
Interest	24,527	20,538	10,914	7,824	3,994
General and administrative	69,463	64,182	46,227	32,171	24,874
Amortization	8,536	8,151	4,817	3,185	3,565
Development costs	32,049	21,244	9,797	7,924	8,240
Restructuring and other costs	–	–	–	–	315
Gain on disposal of investments and claims	–	–	(1,633)	–	–
ABCP fair value adjustment	12,797	–	–	–	–
Canaccord Relief Program and restructuring costs	58,200	–	–	–	–
	680,008	618,717	464,385	360,022	339,600
Income before income taxes	51,531	138,197	119,030	72,756	62,557
Income taxes	20,197	44,741	37,880	24,177	22,128
Net income for the year	$ 31,334	$ 93,456	$ 81,150	$ 48,579	$ 40,429
Retained earnings, beginning of year	213,659	136,463	72,564	38,013	2,352
Dividends					
Stock dividend	–	–	–	–	(1,357)
Cash dividend	(22,396)	(16,260)	(14,455)	(13,835)	–
Excess on redemption of common shares	–	–	(2,796)	(193)	(3,411)
Retained earnings, end of year	$ 222,597	$ 213,659	$ 136,463	$ 72,564	$ 38,013
Incentive compensation expense as % of revenue	47.4%	50.6%	51.3%	50.9%	54.4%
Total compensation expenses as % of revenue (2)	54.9%	56.9%	58.5%	61.5%	63.6%
Non-compensation expenses as % of revenue	38.1%	24.8%	21.1%	21.7%	20.8%
Total expenses as % of revenue	93.0%	81.7%	79.6%	83.2%	84.4%
Pre-tax profit margin	7.0%	18.3%	20.4%	16.8%	15.6%
Effective tax rate	39.2%	32.4%	31.8%	33.2%	35.4%
Net profit margin	4.3%	12.3%	13.9%	11.2%	10.1%
Basic earnings per share	$ 0.70	$ 2.03	$ 1.82	$ 1.17	$ 1.43
Diluted earnings per share	0.64	1.94	1.74	1.11	1.12
Book value per diluted share (3)	7.21	7.74	5.99	4.82	2.59
Supplementary segment revenue information					
Canaccord Adams	$ 431,642	$ 449,717	$ 333,666	$ 239,654	$ 211,758
Private Client Services	249,127	272,619	225,194	178,176	175,983
Corporate and Other	50,770	34,578	24,555	14,948	14,416
	$ 731,539	$ 756,914	$ 583,415	$ 432,778	$ 402,157

(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.

Condensed consolidated balance sheets

As at March 31 (C$ thousands)	*2008*	*2007*	*2006*	*2005*	*2004*
Assets					
Cash and cash equivalents	**$ 435,649**	$ 506,640	$ 370,507	$ 349,700	$ 91,966
Securities owned, at market	**92,796**	348,764	203,020	160,348	376,447
Accounts receivable (1)	**1,422,917**	1,672,035	1,539,998	1,068,757	998,815
Income taxes recoverable	**11,083**	–	–	–	–
Future income taxes	**28,207**	18,461	10,769	3,992	–
Investments	**5,000**	–	–	–	–
Investment in asset-backed commercial paper	**29,860**	–	–	–	–
Equipment and leasehold improvements	**40,686**	37,549	25,750	13,750	12,373
Notes receivable	**–**	–	–	41,618	28,765
Goodwill and other intangibles	**32,520**	26,493	27,929	–	–
	$ 2,098,718	$ 2,609,942	$ 2,177,973	$ 1,638,165	$ 1,508,366
Liabilities and shareholders' equity					
Bank indebtedness	**$ 15,038**	$ –	$ 4,684	$ –	$ 2,541
Securities sold short, at market	**13,757**	41,176	37,169	105,527	281,723
Accounts payable and accrued liabilities	**1,687,479**	2,156,540	1,832,956	1,262,072	1,048,395
Income taxes payable	**–**	15,035	15,334	6,737	16,905
Future income taxes	**–**	–	–	–	973
Notes payable	**–**	–	–	41,618	28,765
Convertible debentures	**–**	–	–	–	20,377
Subordinated debt	**25,000**	25,000	–	–	10,000
Shareholders' equity	**357,444**	372,191	287,830	222,211	98,687
	$ 2,098,718	$ 2,609,942	$ 2,177,973	$ 1,638,165	$ 1,508,366

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

Miscellaneous operational statistics

As at March 31	*2008*	*2007*	*2006*	*2005*	*2004*
Number of employees in Canada					
Number in Canaccord Adams	**253**	246	233	209	185
Number in Private Client Services	**762**	728	689	657	623
Number in Other	**380**	360	335	324	296
Total Canada	**1,395**	1,334	1,257	1,190	1,104
Number of employees in UK					
Number in Canaccord Adams	**125**	93	81	70	52
Number of employees in US					
Number in Canaccord Adams	**163**	163	150	–	–
Number of employees firm wide	**1,683**	1,590	1,488	1,260	1,156
Number of Advisory Teams (1)	**354**	368	365	343	327
Number of licenced professionals	**852**	817	763	710	675
Number of PCS clients	**175,570**	156,003	155,404	144,451	138,142
Assets under management ($ millions)	**$ 730**	$ 807	$ 613	$ 380	$ 237
Assets under administration ($ millions)	**14,295**	15,014	14,310	9,967	8,292
AUA per Advisory Team ($ millions) (1)	**40**	41	39	29	25
Number of companies with Canaccord Adams Limited as Broker					
London Stock Exchange (LSE)	**5**	1	1	6	5
Alternative Investment Market (AIM)	**60**	58	53	51	31
Total Broker	**65**	59	54	57	36
Number of companies with Canaccord Adams Limited as Financial Adviser / Nomad (2)					
LSE	**1**	–	1	4	3
AIM	**51**	50	49	47	24
Total Financial Advisers / Nomad	**52**	50	50	51	27

(1) Investment Advisors (IAs) reported as IA teams excluding rookies licensed three years or less. 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.

Quarterly financial highlights

(C$ thousands, except for assets under management, assets under administration, common share information, and financial ratios)	Fiscal 2008				Fiscal 2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial results								
Revenue	**$143,446**	**$ 183,354**	**$ 158,869**	**$245,870**	$216,443	$ 178,313	$ 156,031	$206,127
Expenses	**194,004**	**159,043**	**139,741**	**187,220**	176,307	144,677	130,781	166,952
Income taxes (recovery)	**(15,404)**	**9,263**	**6,717**	**19,621**	14,120	9,944	7,444	13,233
Net income (loss)	**(35,154)**	**15,048**	**12,411**	**39,029**	26,016	23,692	17,806	25,942
Business segment								
Income before income taxes								
Canaccord Adams (1)	**2,824**	**22,134**	**14,943**	**48,674**	29,246	26,110	22,330	33,584
Private Client Services	**(44,140)**	**13,034**	**13,376**	**18,935**	20,527	18,653	14,280	17,069
Other	**(9,242)**	**(10,857)**	**(9,191)**	**(8,959)**	(11,478)	(11,360)	(11,127)	(9,637)
Geographic segment								
Income (loss) before income taxes								
Canada (2)	**(45,539)**	**15,969**	**17,450**	**36,780**	34,804	27,748	15,706	20,374
UK and Other Foreign Location (3)	**(415)**	**8,956**	**4,777**	**20,726**	8,455	7,520	10,021	16,613
US (4)	**(4,604)**	**(614)**	**(3,099)**	**1,144**	(3,123)	(1,632)	(477)	2,188
Client assets ($ millions)								
Assets under management	**730**	**760**	**777**	**815**	652	696	670	649
Assets under administration	**14,295**	**14,860**	**15,288**	**15,701**	15,014	14,121	13,826	13,942
Common share information								
Per share ($)								
Basic earnings (loss)	**(0.80)**	**0.34**	**0.28**	**0.86**	0.57	0.51	0.39	0.57
Diluted earnings (loss)	**(0.80)**	**0.31**	**0.26**	**0.80**	0.54	0.49	0.37	0.54
Book value per diluted share (5)	**7.21**	**7.95**	**7.83**	**7.96**	7.78	7.43	6.84	6.51
Share price ($)								
High	**16.33**	**20.58**	**22.49**	**25.92**	22.64	19.78	20.60	27.50
Low	**8.60**	**13.30**	**16.25**	**20.22**	16.70	15.80	16.74	16.25
Close	**9.80**	**15.30**	**18.98**	**20.83**	22.12	18.60	17.10	17.72
Shares outstanding (thousands)								
Issued shares excluding unvested shares	**43,873**	**44,191**	**44,548**	**45,184**	45,973	46,321	46,200	45,906
Issued and outstanding	**47,835**	**47,835**	**47,866**	**47,864**	47,832	47,831	47,827	47,827
Diluted	**49,556**	**49,096**	**48,830**	**48,872**	48,084	48,046	47,962	47,951
Average basic	**44,165**	**44,442**	**44,972**	**45,171**	45,971	46,274	46,153	45,906
Average diluted	**48,490**	**48,324**	**48,270**	**48,859**	48,082	48,046	47,962	47,998
Market capitalization (thousands)	**485,649**	**751,169**	**926,793**	**1,018,011**	1,063,625	893,651	820,150	849,684
Financial measures								
Dividends per share	**$ 0.125**	**$ 0.125**	**$ 0.125**	**$ 0.125**	$ 0.10	$ 0.10	$ 0.08	$ 0.08
Dividend yield (closing share price) (6)	**5.1%**	**3.3%**	**2.6%**	**2.4%**	1.8%	2.2%	1.9%	1.8%
Dividend payout ratio (6)	**(17.6)%**	**40.8%**	**49.2%**	**15.7%**	18.5%	20.3%	21.6%	14.8%
Total shareholder return (7)	**(35.9)%**	**(19.4)%**	**(8.9)%**	**(5.4)%**	19.5%	9.2%	(3.1)%	(14.4)%
Annualized ROE	**(37.8)%**	**16.2%**	**12.8%**	**41.2%**	29.0%	27.6%	22.1%	34.7%
Price to earnings multiple (8)	**15.8**	**7.8**	**8.9**	**9.5**	11.4	9.2	8.3	8.7
Price to book ratio (9)	**1.4**	**1.9**	**2.4**	**2.6**	2.9	2.5	2.5	2.7

(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 Canaccord Adams (a division of Canaccord Capital Corporation), Private Client Services 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 capital markets operations, delivered through Canaccord Adams Inc., US Private Client Services, delivered through Canaccord Capital Corporation (USA), Inc., and US Other operations, also delivered through Canaccord Capital Corporation (USA), Inc., which 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 2008 Q4	Fiscal 2008 Q3	Fiscal 2008 Q2	Fiscal 2008 Q1	Fiscal 2007 Q4	Fiscal 2007 Q3	Fiscal 2007 Q2	Fiscal 2007 Q1
Revenue								
Commission	$ 69,585	$ 74,959	$ 65,728	$ 85,775	$ 87,682	$ 74,380	$ 63,556	$ 78,054
Investment banking	49,608	84,910	73,731	128,625	99,138	78,177	70,118	102,840
Principal trading	4,168	387	(3,925)	6,813	9,429	9,035	5,390	7,784
Interest	14,574	16,011	16,273	16,310	15,656	14,355	14,259	13,638
Other	5,511	7,087	7,062	8,347	4,538	2,366	2,708	3,811
	$143,446	$ 183,354	$ 158,869	$245,870	$216,443	$ 178,313	$ 156,031	$206,127
Expenses								
Incentive compensation (1)	$ 63,479	$ 90,778	$ 71,416	$121,406	$ 113,502	$ 89,456	$ 74,974	$ 104,955
Salaries and benefits	14,718	12,658	12,649	14,269	12,862	11,610	10,643	12,493
Trading costs	5,829	7,054	7,249	6,958	6,718	6,056	6,119	8,559
Premises and equipment	5,970	5,781	5,735	5,259	7,612	5,810	5,814	5,937
Communication and technology	6,065	5,611	5,813	5,739	5,670	5,352	5,387	5,063
Interest	5,372	6,574	6,413	6,168	5,228	4,926	5,402	4,982
General and administrative	18,047	17,390	15,755	18,271	16,375	14,413	14,287	19,107
Amortization	2,216	2,197	2,146	1,977	1,999	1,797	2,366	1,989
Development costs	9,936	6,774	8,166	7,173	6,341	5,247	5,789	3,867
ABCP fair value adjustment	4,172	4,226	4,399	–	–	–	–	–
Canaccord Relief Program and restructuring costs	58,200	–	–	–	–	–	–	–
	194,004	159,043	139,741	187,220	176,307	144,677	130,781	166,952
Income (loss) before income taxes	(50,558)	24,311	19,128	58,650	40,136	33,636	25,250	39,175
Income taxes (recovery)	(15,404)	9,263	6,717	19,621	14,120	9,944	7,444	13,233
Net income (loss) for the period	$ (35,154)	$ 15,048	$ 12,411	$ 39,029	$ 26,016	$ 23,692	$ 17,806	$ 25,942
Incentive compensation expense as % of revenue	44.3%	49.5%	45.0%	49.4%	52.4%	50.2%	48.1%	50.9%
Total compensation expenses as % of revenue (2)	54.5%	56.4%	52.9%	55.2%	58.4%	56.7%	54.9%	57.0%
Non-compensation expenses as % of revenue	80.7%	30.3%	35.1%	20.9%	23.1%	24.4%	28.9%	24.0%
Total expenses as % of revenue	135.2%	86.7%	88.0%	76.1%	81.5%	81.1%	83.8%	81.0%
Pre-tax profit margin	(35.2)%	13.3%	12.0%	23.9%	18.5%	18.9%	16.2%	19.0%
Effective tax rate	30.5%	38.1%	35.1%	33.5%	35.2%	29.6%	29.5%	33.8%
Net profit margin	(24.5)%	8.2%	7.8%	15.9%	12.0%	13.3%	11.4%	12.6%
Basic earnings per share	$ (0.80)	$ 0.34	$ 0.28	$ 0.86	$ 0.57	$ 0.51	$ 0.39	$ 0.57
Diluted earnings per share	(0.80)	0.31	0.26	0.80	0.54	0.49	0.37	0.54
Book value per diluted share (3)	7.21	7.95	7.83	7.96	7.78	7.43	6.84	6.51
Supplementary segmented revenue information								
Canaccord Adams	$ 77,965	$ 109,583	$ 89,071	$ 155,023	$ 130,151	$ 101,427	$ 93,033	$ 125,106
Private Client Services	54,463	61,166	57,415	76,083	75,876	68,831	55,626	72,286
Corporate and Other	11,018	12,605	12,383	14,764	10,416	8,055	7,372	7,735
	$143,446	$ 183,354	$ 158,869	$245,870	$216,443	$ 178,313	$ 156,031	$206,127

(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 2008 Q4	Fiscal 2008 Q3	Fiscal 2008 Q2	Fiscal 2008 Q1	Fiscal 2007 Q4	Fiscal 2007 Q3	Fiscal 2007 Q2	Fiscal 2007 Q1
Assets								
Cash and cash equivalents	$ 435,649	$ 421,783	$ 379,680	$ 329,584	$ 506,640	$ 371,525	$ 315,883	$ 376,986
Securities owned, at market	92,796	164,388	227,368	225,734	348,764	146,030	119,809	194,061
Accounts receivable	1,422,917	1,260,869	1,829,712	2,052,737	1,672,035	1,204,371	1,163,218	1,154,454
Income taxes recoverable	11,083	2,758	661	–	–	–	–	–
Future income taxes	28,207	10,630	9,940	7,761	18,461	11,782	12,754	11,872
Investments	5,000	5,000	5,000	5,000	–	–	–	–
Investment in asset-backed commercial paper	29,860	34,501	–	–	–	–	–	–
Equipment and leasehold improvements	40,686	39,939	40,137	39,231	37,549	33,566	26,527	24,449
Goodwill and other intangibles	32,520	32,873	33,227	33,580	26,493	26,869	27,222	27,575
	$ 2,098,718	$ 1,972,741	$ 2,525,725	$ 2,693,627	$ 2,609,942	$ 1,794,143	$ 1,665,413	$ 1,789,397
Liabilities and shareholders' equity								
Bank indebtedness	$ 15,038	$ –	$ 48,130	$ 2,265	$ –	$ –	$ –	$ 556
Securities sold short, at market	13,757	96,383	48,784	85,222	41,176	54,467	25,926	109,923
Accounts payable and accrued liabilities	1,687,479	1,461,130	2,021,498	2,189,371	2,156,540	1,380,767	1,311,248	1,359,198
Income taxes payable	–	–	–	2,528	15,035	3,681	1,150	8,522
Subordinated debt	25,000	25,000	25,000	25,000	25,000	–	–	–
Shareholders' equity	357,444	390,228	382,313	389,241	372,191	355,228	327,089	311,198
	$ 2,098,718	$ 1,972,741	$ 2,525,725	$ 2,693,627	$ 2,609,942	$ 1,794,143	$ 1,665,413	$ 1,789,397

Miscellaneous operational statistics

	Fiscal 2008 Q4	Fiscal 2008 Q3	Fiscal 2008 Q2	Fiscal 2008 Q1	Fiscal 2007 Q4	Fiscal 2007 Q3	Fiscal 2007 Q2	Fiscal 2007 Q1
Number of employees in Canada								
Number in Canaccord Adams	253	254	264	260	246	237	241	239
Number in Private Client Services	762	772	784	757	728	725	719	710
Number in Other	380	373	370	366	360	348	349	343
Total Canada	1,395	1,399	1,418	1,383	1,334	1,310	1,309	1,292
Number of employees in UK								
Number in Canaccord Adams	125	116	109	104	93	95	89	88
Number of employees in US								
Number in Canaccord Adams	163	161	162	170	163	170	164	154
Number of employees firm wide	1,683	1,676	1,689	1,657	1,590	1,575	1,562	1,534
Number of Advisory Teams (1)	354	377	378	373	368	368	371	373
Number of licenced professionals	852	859	865	840	817	797	790	775
Number of PCS clients	175,570	173,599	170,879	170,054	156,003	160,793	158,866	156,828
Assets under management ($ millions)	$ 730	$ 760	$ 777	$ 815	$ 652	$ 696	$ 670	$ 649
Assets under administration ($ millions)	14,295	14,860	15,288	15,701	15,014	14,121	13,826	13,942
AUA per Advisory Team ($ millions) (1)	40	39	40	42	41	38	37	37
Number of companies with Canaccord Adams Limited as Broker								
London Stock Exchange (LSE)	5	4	4	3	1	2	2	1
Alternative Investment Market (AIM)	60	60	58	57	58	60	60	61
Total Broker	65	64	62	60	59	62	62	62
Number of companies with Canaccord Adams Limited as Financial Adviser / Nomad (2)								
LSE	1	1	–	1	–	1	1	1
AIM	51	50	51	49	50	51	52	55
Total Financial Advisers / Nomad	52	51	51	50	50	52	53	56

(1) Investment Advisors (IAs) reported as IA teams excluding rookies licensed three years or less. 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

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. This measure is non-GAAP.

Assets under management (AUM)
AUM are assets that are beneficially owned by clients and discretionarily managed by Canaccord as part of our *Alliance Program* and *Private Investment Management platform*. 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. This measure is non-GAAP.

Book value per common share
Per share common equity calculated by subtracting liabilities from assets and dividing by outstanding number of shares. This measure is non-GAAP.

Capital employed
A non-GAAP measure of capital: the aggregate of share capital, retained earnings and accumulated other comprehensive income.

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.

Dividend yield
A financial ratio that shows how much a company pays out in dividends each year relative to its share price. It is calculated as total annual dividends per share divided by the company share price.

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 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.

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.

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.

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.

Initial Public Offering (IPO)
An IPO is the first sale of stock by a private company to the public.

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

London Stock Exchange (LSE)
One of the world's largest stock exchanges; it has been in existence for more than 300 years and has over 3,200 listed companies. The exchange has four main sectors: The Main Market; The AIM market; The Professional Securities Market; and The Specialist Fund Market.

Long Term Incentive Plan (LTIP)
A reward system designed to align employee and external shareholder interests. Under Canaccord's LTIP, a portion of an eligible employee's annual compensation is held back to purchase Restricted Share Units (RSUs) of the Company. The RSUs are topped up by the firm and vest over three years.

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
Trading in equity securities in principal and inventory accounts. Revenue is generated through inventory trading gains and losses.

Registered trading
Trading in equity securities in principal and inventory accounts by registered traders who operate 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.

Return on average capital employed (ROCE)
A historical measure of capital in the business involving elements other than common equity. Replaced by ROE. This was used prior to Canaccord's IPO.

Return on average common equity (ROE)
Net income expressed as a percentage of average common equity. This measure is non-GAAP.

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.

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.

Value at Risk (VaR)
VaR is a generally accepted risk measurement concept that is defined as the predicted worst-case loss in market value of a portfolio at a specific confidence level (e.g., 95%) over a certain period of time (e.g., daily).

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 President & 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 President & 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 four times a year with the Company's Chief Financial Officer (CFO) 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, 2008 an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the President & 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, 2008.

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, 5 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 comprises 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 CFO 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 CFO 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 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 and Chief Executive Officer of Canaccord Capital Inc. 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 2008.

other executives

JAMIE BROWN (Boston, MA)
Managing Director, President of Canaccord Adams Inc., Head of Investment Banking (US)

PAUL CHALMERS (Vancouver, BC)
Executive Vice President

MATTHEW CICCI (Vancouver, BC)
Senior Vice President & Director, Regional Co-Manager of Private Client Services (Western Canada), Branch Manager*

SCOTT DAVIDSON (Toronto, ON)
Managing Director, Global Head of Marketing and Communications

PAUL DIPASQUALE (Vancouver, BC)
Executive Vice President, Branch Manager

DARREN ELLIS (London, UK)
Chief Administrative Officer, Canaccord Adams Limited

MATTHEW GAASENBEEK (Toronto, ON)
Executive Vice President & Managing Director, Head of Capital Markets, North America

TOM GABEL (Boston, MA)
Managing Director, Head of Sales (US)

ZOLTAN HORCSOK (Toronto, ON)
Head of Sales Trading (Canada)

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

BRADLEY KOTUSH (Vancouver, BC)
Executive Vice President & Chief Financial Officer

PATRICK LECKY (Vancouver, BC)
Senior Vice President & Director, Regional Co-Manager of Private Client Services (Western Canada), Branch Manager*

NIGEL LITTLE (London, UK)
Vice Chairman, Canaccord Capital Inc.

DON MACFAYDEN (Boston, MA)
Chief Financial Officer, Canaccord Adams Inc.

BRUCE MARANDA (Vancouver, BC)
Executive Vice President & Director, Global Credit & Compliance & Chief Compliance Officer

JENS MAYER (Toronto, ON)
Executive Vice President & Managing Director, Head of Investment Banking (Canada)

PETER MISEK (Toronto, ON)
Head of Research (Canada), Global Technology Strategist

ROGER MURPHY (London, UK)
Managing Director, Head of Sales (UK)

MIKE REYNOLDS (Toronto, ON)
Senior Vice President & Director, Regional Manager of Private Client Services (Eastern Canada), Branch Manager*

ERIC ROSS (Boston, MA)
Director of Research (US)

GRAHAM SAUNDERS (Toronto, ON)
Managing Director, Head of Institutional Equity Sales (Canada)

ANGELO SOFOCLEOUS (London, UK)
Managing Director, Head of Trading (UK)

JON SOLODAR (Boston, MA)
Managing Director, Co-Head of Equities, Head of Sales Trading & Trading (US)

PETER VIRVILIS (Vancouver, BC)
Executive Vice President, Operations & Treasurer

** Subject to regulatory approval.*

locations

Canaccord Adams

CANADA

Toronto
P.O. Box 516
Brookfield Place
Suite 3000
161 Bay Street
Toronto, ON
Canada M5J 2S1
Telephone: (416) 869-7368
Toll Free (Canada): 1-800-382-9280
Toll Free (US): 1-800-896-1058

Calgary
TransCanada Tower
Suite 2200
450-1st Street SW
Calgary, AB
Canada T2P 5P8
Telephone: (403) 508-3800

Montreal
Suite 1000
1010 Sherbrooke Street West
Montreal, QC
Canada H3A 2R7
Telephone: (514) 844-5443
Toll Free: 1-800-361-4805

Vancouver
P.O. Box 10337
Pacific Centre
Suite 2200
609 Granville Street
Vancouver, BC
Canada V7Y 1H2
Telephone: (604) 643-7300
Toll Free (Canada): 1-800-663-1899
Toll Free (US): 1-800-663-8061

Canaccord Enermarket Ltd.
TransCanada Tower
Suite 2310
450-1st Street SW
Calgary, AB
Canada T2P 5P8
Telephone: (403) 262-1442
Toll Free: 1-866-367-6758

UNITED KINGDOM

London
7th Floor, Cardinal Place
80 Victoria Street
London, UK
SW1E 5JL
Telephone: 44 2070 506500

BARBADOS

26 Cassia Heights
Royal Westmoreland
St. James, Barbados BB 24023
Telephone: (246) 419-0466

UNITED STATES

Boston
Suite 1200
99 High Street
Boston, MA
USA 02110
Telephone: (617) 371-3900
Toll Free: 1-800-225-6201

New York
2nd Floor
535 Madison Avenue
New York, NY
USA 10022
Telephone: (212) 849-3900
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

Houston
71st floor
1000 Louisiana Street
Houston, TX
USA 77002
Telephone: (713) 331-9901

Private Client Services

BRITISH COLUMBIA

Vancouver Head Office
P.O. Box 10337
Pacific Centre
Suite 2200
609 Granville Street
Vancouver, BC
Canada V7Y 1H2
Telephone: (604) 643-7300
Toll Free (Canada):
1-800-663-1899
Toll Free (US):
1-800-663-8061

17th Floor Branch (Bentall)
P.O. Box 10337
Pacific Centre
Suite 2200
609 Granville Street
Vancouver, BC
Canada V7Y 1H2
Telephone: (604) 643-7300
Toll Free: 1-800-663-1899

Abbotsford
Suite 200
32071 South Fraser Way
Abbotsford, BC
Canada V2T 1W3
Telephone: (604) 504-1504
Toll Free: 1-877-977-5677

Campbell River
Suite 1
1170 Shoppers Row
Campbell River, BC
Canada V9W 2C8
Telephone: (250) 287-8807
Toll Free: 1-800-347-0270

Kelowna
Suite 602
1708 Dolphin Avenue
Kelowna, BC
Canada V1Y 9S4
Telephone: (250) 712-1100
Toll Free: 1-888-389-3331

Nanaimo
75 Commercial Street
Nanaimo, BC
Canada V9R 5G3
Telephone: (250) 754-1111
Toll Free: 1-800-754-1907

Prince George
1520-3rd Avenue
Prince George, BC
Canada V2L 3G4
Telephone: (250) 562-7255
Toll Free: 1-800-667-3205

Vernon
3108-30th Avenue
Vernon, BC
Canada V1T 2C2
Telephone: (250) 558-5431
Toll Free: 1-800-665-2505

Victoria
Suite 400
737 Yates Street
Victoria, BC
Canada V8W 1L6
Telephone: (250) 388-5354
Toll Free: 1-877-666-2288

White Rock
Suite 305
1688-152nd Street
Surrey, BC
Canada V4A 4N2
Telephone: (604) 538-8004
Toll Free: 1-800-665-2001

ONTARIO

Toronto
P.O. Box 516
Brookfield Place
Suite 2900
161 Bay Street
Toronto, ON
Canada M5J 2S1
Telephone: (416) 869-7368
Toll Free (Canada):
1-800-382-9280
Toll Free (US):
1-800-896-1058

Kingston
Suite 208
4 Cataraqui Street
Kingston, ON
Canada K7K 1Z7
Telephone: (613) 547-3997
Toll Free: 1-888-547-5557

London
One London Place
Suite 1600
255 Queens Avenue
London, ON
Canada N6A 5R8
Telephone: (519) 434-6259
Toll Free: 1-866-739-3386

Ottawa
World Exchange Plaza
Suite 830
45 O'Connor Street
Ottawa, ON
Canada K1P 1A4
Telephone: (613) 233-3158
Toll Free: 1-888-899-9994

Simcoe
49 Robinson Street
Simcoe, ON
Canada N3Y 1W5
Telephone: (519) 428-7525

Waterloo
Suite 101
80 King Street South
Waterloo, ON
Canada N2J 1P5
Telephone: (519) 886-1060
Toll Free: 1-800-495-8071

ALBERTA

Calgary
TransCanada Tower
Suite 2200
450-1st Street SW
Calgary, AB
Canada T2P 5P8
Telephone: (403) 508-3800
Toll Free: 1-800-818-4119

Edmonton
Manulife Place
Suite 2700
10180-101st Street
Edmonton, AB
Canada T5J 3S4
Telephone: (780) 408-1500
Toll Free: 1-877-313-3035

QUEBEC

Montreal
Suite 1000
1010 Sherbrooke Street West
Montreal, QC
Canada H3A 2R7
Telephone: (514) 844-5443
Toll Free: 1-800-361-4805

Beloeil
275 Choquette Street
Beloeil, QC
Canada J3G 4V6
Telephone: (450) 467-8294
Toll Free: 1-866-467-8294

Quebec City
Place de la Cité
Tour Belle Cour
Suite 1040
2590 Laurier Blvd.
Quebec, QC
Canada G1V 4M6
Telephone: (418) 658-2924
Toll Free: 1-866-658-2924

NOVA SCOTIA

Halifax
P.O. Box 338 CRO
Suite 1300
1701 Hollis Street
Halifax, NS
Canada B3J 2N7
Telephone: (902) 482-4489
Toll Free: 1-866-371-2262

YUKON

Whitehorse
206-D Jarvis Street
Whitehorse, YT
Canada Y1A 2H1
Telephone: (867) 668-7111
Toll Free: 1-800-661-0554

UNITED STATES

Canaccord Capital Corporation (USA), Inc.
P.O. Box 10337
Pacific Centre
Suite 2200
609 Granville Street
Vancouver, BC
Canada V7Y 1H2
Telephone: (604) 684-5992

Other locations

PINNACLE CORRESPONDENT BROKERAGE SERVICES

Vancouver
P.O. Box 10337
Pacific Centre
Suite 2200
609 Granville Street
Vancouver, BC
Canada V7Y 1H2
Telephone: (604) 643-7300

Toronto
P.O. Box 516
Brookfield Place
Suite 3000
161 Bay Street
Toronto, ON
Canada M5J 2S1
Telephone: (416) 869-7368

REGISTERED TRADING (1)

Ancaster
Suite 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.
2200 – 609 Granville Street
Vancouver, BC, Canada

Mailing address:
P.O. Box 10337
Pacific Centre
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
Telephone: (604) 643-0128
Fax: (604) 643-1878
Email:
investor_relations@canaccord.com

MEDIA RELATIONS:
Scott Davidson
Managing Director, Global Head of Marketing & Communications
Telephone: (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
Vancouver, BC, Canada
Telephone: (604) 643-7013
Fax: (604) 643-1857
Email:
katherine_young@canaccord.com

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

COMMON SHARE TRADING INFORMATION (FISCAL 2008)

Stock exchange	*Ticker*	*Diluted shares outstanding at March 31, 2008*	*Year-end price March 31, 2008*	*High*	*Low*	*Total volume of shares traded*
Toronto TSX	CCI	49,555,792	$ 9.80	$ 25.92	$ 8.60	52,767,529
London AIM	CCI	49,555,792	£5.03	£11.50	£4.50	43,700

FISCAL 2008 DIVIDEND DATES AND AMOUNTS

Quarter end date	*Record date*	*Payment date*	*Dividend*
June 30, 2007	August 24, 2007	September 10, 2007	$0.125
September 30, 2007	November 30, 2007	December 10, 2007	$0.125
December 31, 2007	February 22, 2008	March 10, 2008	$0.125
March 31, 2008	June 24, 2008	July 3, 2008	$0.125
		Total dividends	$0.500

QUALIFIED FOREIGN CORPORATION

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

FISCAL 2009 EXPECTED DIVIDEND AND EARNINGS DATES

	Earnings release date	*Dividend record date*	*Dividend payment date*
Q1/09	August 8, 2008	August 29, 2008	September 10, 2008
Q2/09	November 6, 2008	November 28, 2008	December 10, 2008
Q3/09	February 12, 2009	February 27, 2009	March 10, 2009
Q4/09	May 20, 2009	May 29, 2009	June 10, 2009

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
Telephone Toll Free (North America): 1-800-564-6253
International: (514) 982-7555
Fax: 1-866-249-7775
Toll Free Fax (North America): or International Fax: (416) 263-9524
Email: service@computershare.com
Internet: computershare.com
Offers enrolment for self-service account management for registered shareholders through the Investor Centre.

FINANCIAL INFORMATION:

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

AUDITOR:

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

FEES PAID TO SHAREHOLDERS' AUDITORS:

For fees paid to shareholders' auditors, see page 40 of the fiscal 2008 Annual Information Form.

PRINCIPAL SUBSIDIARIES:

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

CORPORATE WEB SITE:

canaccord.com

EDITORIAL SERVICES:

Tudhope & Company, Inc.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on Friday, August 8, 2008 at 11:00 am (Pacific time) at The Four Seasons Hotel, Park 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 canaccord.com for more information and a direct link.

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

INTERBRAND